CHAPTER 1 : Types of business

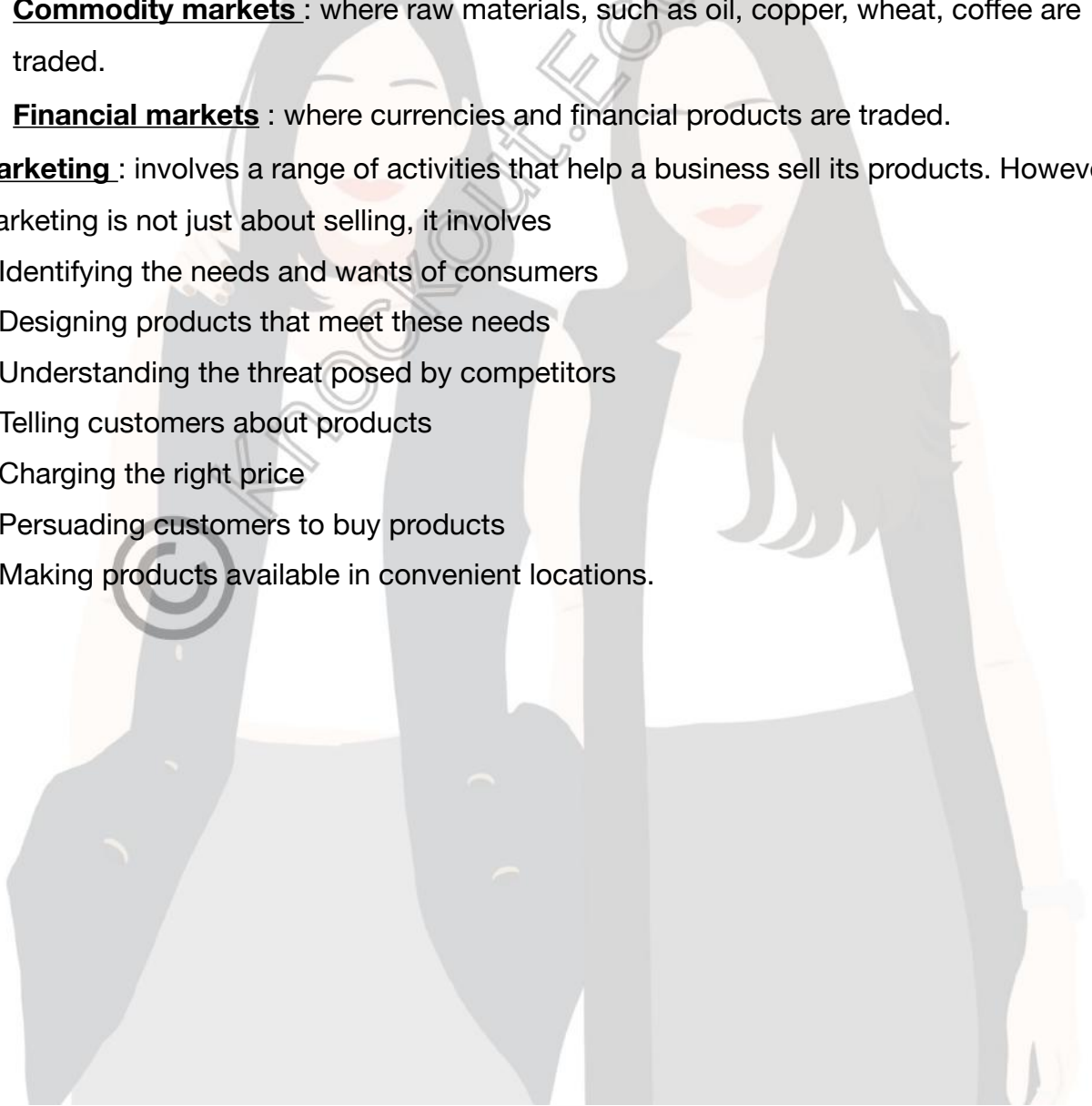
1. Markets and Marketing

Markets : Markets were places where buyers and sellers would meet to exchange goods and services. Anywhere to trade goods and services, can be without buyers and sellers meeting up.

- **Customers goods markets** : Where products such as food, cosmetics and magazines are sold.
- **Markets for services** : these can include services for individuals, such as hairdressing, or business services such as auditing.
- **The housing market** : where people buy, sell and let property
- **Commodity markets** : where raw materials, such as oil, copper, wheat, coffee are traded.
- **Financial markets** : where currencies and financial products are traded.

Marketing : involves a range of activities that help a business sell its products. However, marketing is not just about selling, it involves

- Identifying the needs and wants of consumers
- Designing products that meet these needs
- Understanding the threat posed by competitors
- Telling customers about products
- Charging the right price
- Persuading customers to buy products
- Making products available in convenient locations.



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2. The characteristics of mass markets and niche markets

- **Mass market** : when a business sells the same products to all consumers and markets then in the same way. Eg. Still water, soft drinks and breakfast cereals

Advantages	Disadvantages
1. It is a huge market : Firms can increase sales revenue and possible to gain profit 2. Producer can achieve economies of scales : average cost will be lower	1. There will be high competition in the mass market. 2. Businesses may need to spend more on marketing.

- **Niche market** : is a small segment- a segment that has sometimes gone " untouched" by larger businesses. => sell to small customer group, or specific needs.

Advantages	Disadvantages
1. Firms need to focus on customers : Firms can survive by supplying in niche market. 2. There will be less competition in the market, firms can increase opportunity to raise higher price (premium price)	1. It is very small and therefore there will be limited no. of competition 2. It can limited sales revenue and profit.

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3. Market size

: The size of a market can be estimated or calculated by the total sales of all businesses in the market.

3.1 Value : This is the total amount spent by customers buying products.

3.2 Volume : This is the physical quantity of products that are produced and sold.

4. Market share and market penetration : this the term used to describe the proportion of a particular market that is held by a business, a product, a brand or a number of businesses or a products.

(Sales of a business /Total sales in the market) x 100

Benefits of market share

- It can indicate a business that is a market leader
- It might influence the strategy or objectives of a business eg. Business who has small market share may need to set a target of increasing its share by 5 % over a period of time.
- It may also be an indication of the success or failure of a business / its strategy

5. Brands : are given brand names to distinguish them from other products in the market. Eg. Toyota, Nike and Apple.

Branding might be used to :

- Differentiate the product from those of rivals
- Create customer loyalty
- Help product recognition
- Develop an image
- Charge a premium price when the brand becomes strong eg. Chanel / Hermes

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6. Online retailing

: when transaction occurs from the online platforms eg. Internet etc.

Advantages

- Retailers can market their goods to people who prefer to shop from home or who find it difficult to get traditional shops. Eg. Finished work late can unable to shop at department store
- It is easier to gather personal information from customers so that they can be targeted with other products and offers in the future
- Selling costs such as staffs eg. Rent fee can be reduced
- Marketing cost will be lower. Eg. Facebook VS television
- Online retailer can reach more customers

7. How markets change?

7.1 The size of market

7.2 The nature of market

7.3 New markets

8. Innovation and market growth

Markets can grow overtime- some rapidly and some slowly . Growth in existing markets and new markets may occur for the following reasons

- Economic growth
- Innovation
- Social changes
- Changes in legislation
- Demographic changes

9. Adapting to change

Market can change over the period of time. If firms cannot adapt quickly to the changing needs of customers, they will lost out to rivals that do adapt.

- Flexibility : firms need to be prepared for changed and may develop culture of flexibility in the organisation
- Market research : Business may need to keep in touch with developments of the market
- Investment : Business need to invest in innovation and technology to source for a long term

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10. How competition affects the market

Competition is the rivalry that exists between businesses in the market.

- **Business** : competition puts businesses under pressure. It means that they have to encourage customers to buy their products in preference to those rivals. These will use a range of methods to attach customers including

- Lower price
- Making their products appear different to those of rivals
- Offering better quality products
- Using more powerful or attractive advertising or promotions
- Offering ‘ extras ‘ such as high-quality customer services.

- **Customers** : Consumers will generally benefits from competition in markets.

  eg. Consumers will have more choices, lower prices, and better quality products

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CHAPTER 2 : Market research

1. Market research

: Market research involves gathering, presenting and analysing information about the marketing and consumption of goods and services.

Market research data can be used for the following:

- Identify and anticipate consumer needs and wants Eg. Body design / style / colour / interior design / ease of maintenance / performance)
- Qualify likely demand : It is important to find out how much of a product a business might expect to sell in the market.
- Gain an insight into consumer behaviour. => Getting insight into how people behave will help a business to meet customer needs more effectively / Identify new opportunity for business

1.1 Primary research : Collecting primary data or from original source of information.

Methods of primary research

- Questionnaire / Surveys : A questionnaire is a list of written questions.
  Focus groups or consumer panels : Focus group is where a number of customers are invited to attend a discussion organised by market researchers. (one time)
- Face -to-face / Telephone interviews
- Product trails and test marketing

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Advantages and disadvantages of primary research

Advantages	Disadvantages
1. Data can be collected directly from customer for the specific purpose 2. The business that initially collects the data will be the only organisation with access to it. It can be used to gain marketing advantages over rival firms	1. In can be expensive to collect and may be take longer than desk research. 2. The sample taken may not represent the views of all the population.

1.2 Secondary research : Involves the collection of secondary data. This is information that already exists in some form. It can be internal data, from records within the business, or external data, from sources outsides the business.

Methods of secondary research

- Websites
- Social media
- Newspaper or magazine
- Television
- Reports

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Advantages and disadvantages of Secondary research

Advantages	Disadvantages
1. It is relatively easy, cheaper and quick to collect 2. Several sources can be used	1. Data is not always in a form that a particular business would want because it has been collected for another purpose. 2. Data may be out of date 3. Some researchers must be aware of bias

2. Quantitative and qualitative research

2.1 Qualitative research : involves the collection of data about attitudes, belief and opinion

2.2 Quantitative research : involves the collection of data that can be measured. (Number or figure)

3. Sampling methods

: is a small group that representative of all those population

- Random sampling :provides each of a group an equal chance of being chosen.
- Quota sampling : involves the target population being segmented into a number of groups that share specific characteristics
- Stratified sampling : It is also random. Sample is divided into segment or strata based on previous knowledge about how the population is divided up.

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CHAPTER 3: Market positioning

1. Product and market orientation

- **Product Orientation** : business focuses on the production process and the product itself. It puts most of its effort into developing and making products that it believe consumers want and which will sell well.
- **Market Orientation** : business that is market orientated is one that continually identifies, reviews and analyses consumers' needs. It is led by the market. Market-oriented approach consumers are central to a firm's decision making

2. Market positioning

Market positioning : is concerned with the perceptions consumers have about products. Often position a business's products in relation to those its competitors. For example,

- The benefits offered by the product
- The unique selling point
- The characteristics of the product
- The origin of the product
- The classification name of the product

3. Market mapping

: The positioning of a brand is influenced by customer perception rather than those of business .

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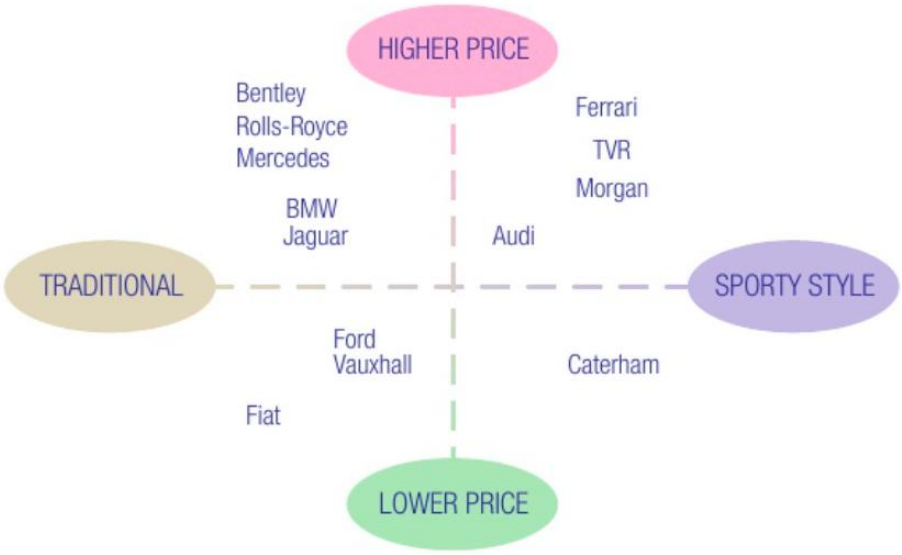

(Figure : Pearson Business International Advanced level Student book1)- Positioning on car)

4. Market segmentation

: Market can be divided into different sections. Each segment is made up consumers that have similar needs.

For example,

- **Geographic segmentation** : different customers groups are likely to have different needs eg. Demographic segmentation : It is common for business to divide market according to age, gender, income, social class etc
- **Psychographic segmentation** : It can separate market according to attitudes, opinions and lifestyle

Eg. Sport products

- **Behavioural segmentation** : attempts to segment markets according to how consumers relate a product. Eg. Usage rate, Loyalty, Time and date of consumption

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Benefits of market segmentation

1.) Businesses that produce different products for different market segments can increase revenue. E.g. airlines charge first class passengers many time than they charge economy passengers for the same flight.

2.) Customers may be more loyalty to a business that provides products that are tailored specially to them.

3.) Businesses can avoid wasting promotion resources by not targeting products at customers that do not want it.

4.) Some businesses can market a wider range of goods to different customer groups. For example, many car manufacturer have several different models, each of which is targeted at a different segments.

5. Competitive advantage of a product and services

: a business is likely to be more successful if it can gain a competitive advantages in the market place, It is a set of unique features of a company and its products that are perceived by consumers as significantly and superior to the competitors. A business can develop a competitive advantages in many ways

Eg. Product design, Delivery time, Ethical stance etc

6. Adding value to the products and services

: This means that the business provides extra features for the customer that go beyond their standard expectation.

: eg. Customer services, Speed of response to customers, Packaging, Customisation. Etc.

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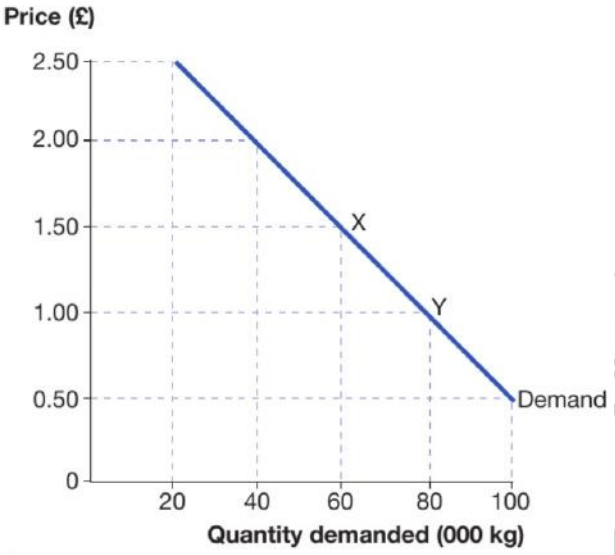
CHAPTER 4: Demand

1. **Demand :** is the amount of product that customers are willing and able to purchase at any given price.

- **Demand Curve** is the downward sloping (Price and quantity have the opposite direction)

Diagram



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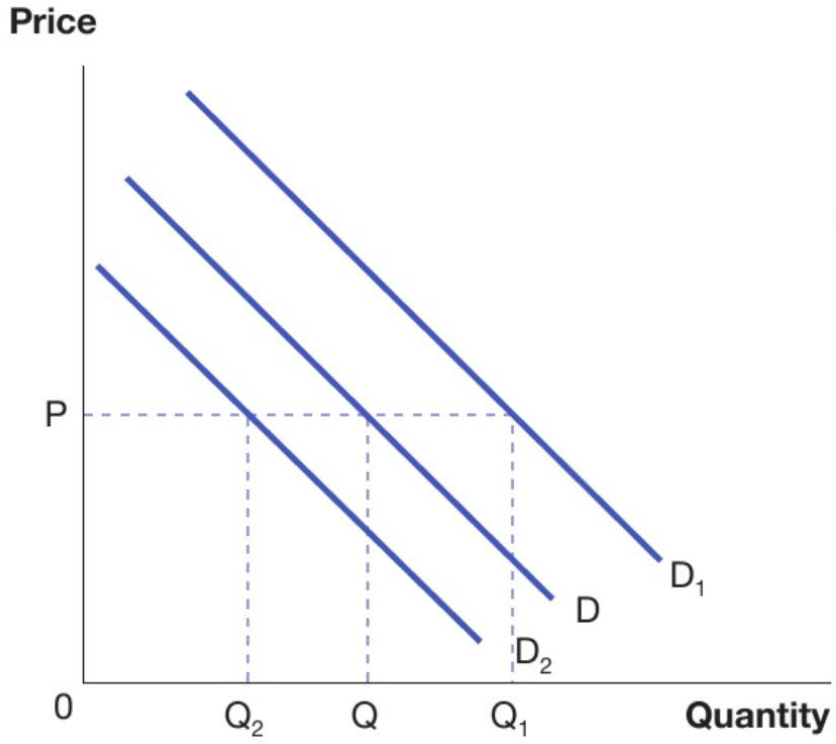
Factors shift demand curve



Example - Demand shifts to the right

- Price of substitute goods : goods that can be replaced for each others.

Eg. If price of coke increases, demand for Pepsi would shift to the right

- Price of complementary goods : goods that need to use together.

Eg. If price of shoes decreases, demand for sock would shift to the right.

- Change of customer incomes :Higher income means higher ability to pay goods and services, demand will shift to the right
- Fashions, tastes and preferences
- Marketing, advertising and branding : eg. Some promotion can encourage customers to buy product and hence demand will shift to the right.
- Demographic : Ageing population can lead to higher demand of healthcare
- External shock eg. Government may reduce income tax which can increase disposable income. Demand of goods is likely to increase.

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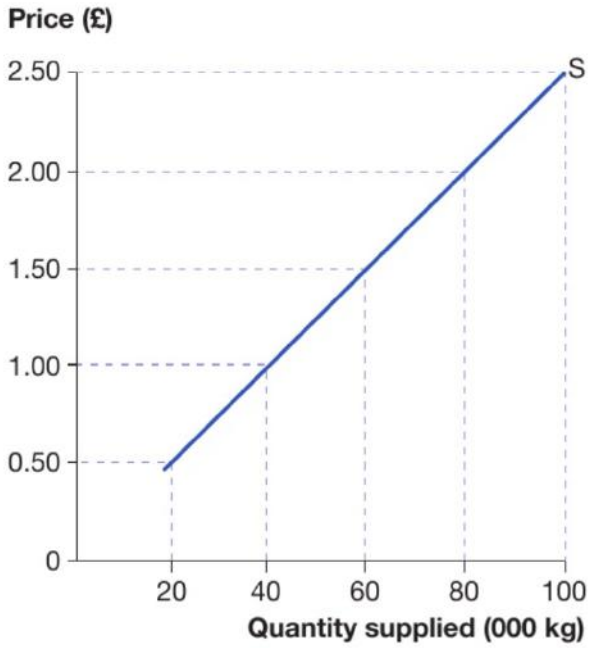
CHAPTER 5: Supply

1. **Supply:** is the amount of product that suppliers are willing and able to produce at any given price.

- **Supply Curve** is the upward sloping (Price and quantity have the same direction)

Diagram



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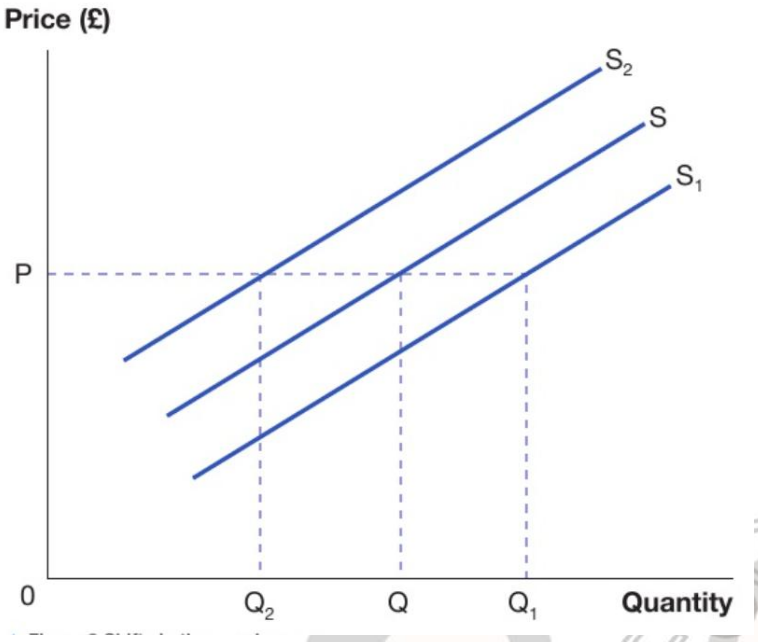
Factors shift supply curve



Example - Supply shifts to the right

- Decreases in cost of production : Supply is likely to shift to the right
- Introduction of new technology : It can increase productivity and lower average cost, supply is likely to shift right.
- Indirect taxes : eg. VAT

: Lower indirect tax means lower cost of production, Supply is likely to shift right

- Government subsidies : grants from the government which leads to lower cost of production. Supply is likely to shift right.
- External shocks eg. World events, weather, Government etc

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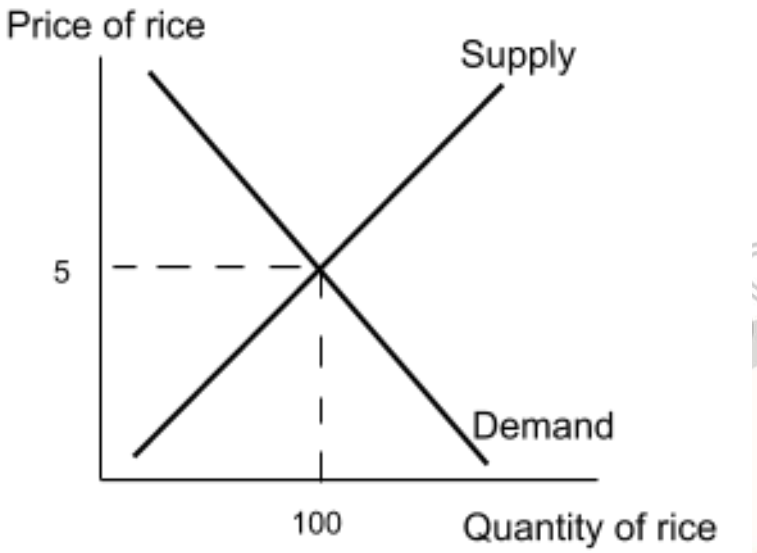
Chapter 6 : Markets

a) Equilibrium price and quantity, and how they are determined.

Equilibrium price : the price where demand and supply are equal.



- At market equilibrium : Demand = Supply at price ฿5 per unit

Disequilibrium : where demand ≠ supply

↳ Shortage or excess demand

↳ Surplus or excess supply

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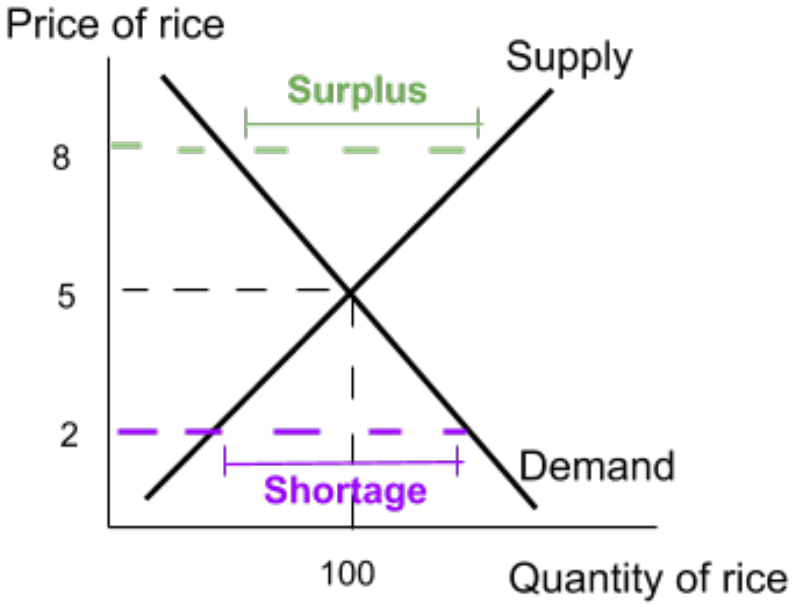
Moving from market disequilibrium to market Equilibrium



- **Disequilibrium** : where demand ≠ Supply

1) At price = 8, there is excess supply : supply > demand

- Price↓ causing contraction in supply and extension in demand
- Price falls until it reaches the equilibrium.

2) At price = 2, there is excess demand : demand > supply

- Price↑ causing contraction in demand and extension in supply
- Price rises until it reaches the equilibrium.

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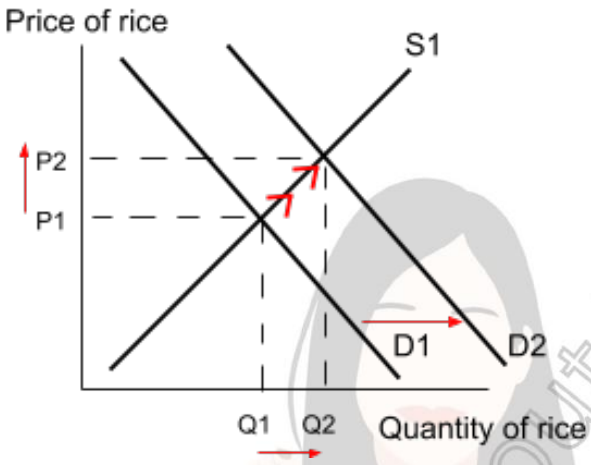
b) Causes of changes in the equilibrium price and quantity as a result of shifts in demand and supply curves.

1. The effect of changes in demand curve

<u>Case 1</u> : Consumers have higher income.



1. Original equilibrium is at P1 and Q1.
2. Consumers have higher income and they have more ability to spend. Demand for rice increases and the demand curve shifts to the right.
3. New equilibrium, price and quantity increase to P2 and Q2.

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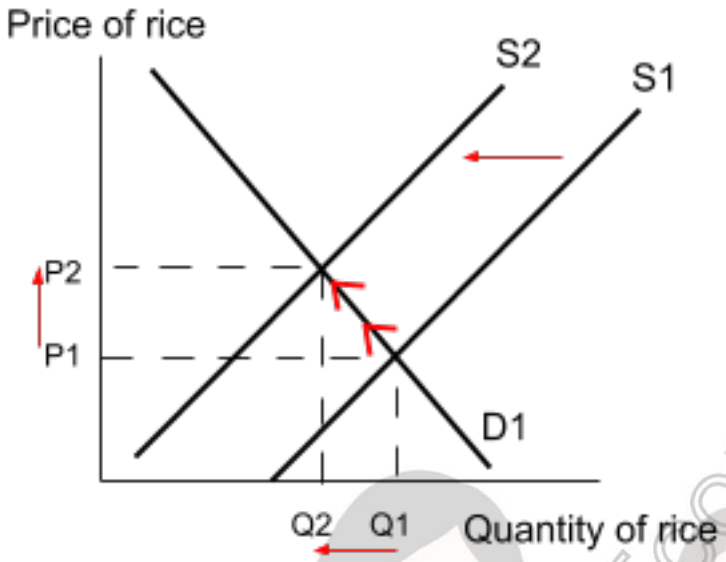
<u>Case 2</u> : Producers have higher cost of production.



1. Original equilibrium is at P1 and Q1.
2. Producers face higher cost of production and they gain lower profit. Supply of rice decreases and the supply curve shifts to the left.
3. New equilibrium, price increases to P2 and quantity decreases to Q2.

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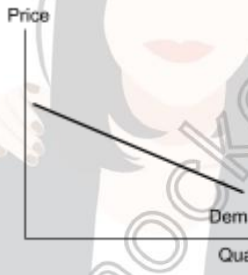
Chapter 7 : Price elasticities of demand

1. Definition of price elasticity of demand

: Price elasticity of demand(PED) measures the responsiveness of quantity demanded to changes in price.

$$PED = \frac{\%\text{ change in quantity of demand}}{\%\text{ change in price}}$$

	Price elastic demand	Price inelastic demand
Definition	The percentage change in quantity of demand is greater than the percentage change in price	The percentage change in quantity of demand is lesser than the percentage change in price
Value of PED	PED > 1	0 < PED < 1
Curve		

2. Determinants of price elasticity of demand

2.1) The number of substitute product

: The large number of substitute product ⇒ Elastic PED

: The lack of substitute product ⇒ Inelastic PED

2.2) The period of time

: In the short run and peak time ⇒ Inelastic PED

: In the long run and off peak time ⇒ Elastic PED

2.3) The proportion of income spent on the product

: The large proportion of income spent on the product ⇒ Elastic PED

: The small proportion of income spent on the product ⇒ Inelastic PED

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2.4) Type of products

: Luxury goods ⇒ Elastic PED

: Necessity, Brand loyalty, Addictive products ⇒ Inelastic PED

2.5) Durability of products

: Durable product ⇒ Inelastic PED

3. PED and total revenue

Type of PED	Price	Quantity	Total Revenue
1. PED elastic	⇧	Demand decreases by a larger proportion.	TR decreased
2. PED elastic	⇩	Demand increases by a larger proportion.	TR increased
3. PED inelastic	⇧	Demand decreases by a smaller proportion.	TR increased
4. PED inelastic	⇩	Demand increases by a smaller proportion.	TR decreased
5. PED unitary	Price ⇧ 10%	Quantity decreases by 10%	TR unchanged
6. PED unitary	Price ⇩ 10%	Quantity increases by10%	TR unchanged

4. Limitation of PED

1. It is difficult to calculate PED.
2. It has time consuming.
3. The value of PED changes over time.

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Chapter 8 : Income elasticity of demand(YED)

- **Income elasticity of demand(YED)** measures the responsiveness of quantity demand to changes in income.

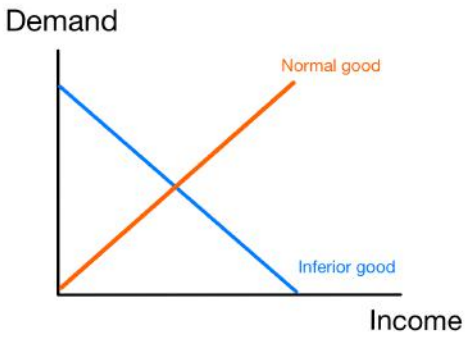
$$\text{YED} = \frac{\%\text{ change in quantity of demand}}{\%\text{ change in income}}$$

Value of YED	Types of product	Explanation
YED > 1	Luxury goods	When income rises, demand for luxury goods will increase by the larger proportion)
0 <YED < 1 or YED = 0	Necessity	It is essential for living e.g. food and medicine
YED > 0	Normal goods	Demand for normal goods rises when income rises e.g. cloth, shoes
YED < 0	Interior goods	Demand for inferior goods rises when income falls e.g. instant noodle

Income elastic demand: IYEDI > 1

Income inelastic demand: 0 < IYEDI < 1

Diagram demand for normal and inferior goods



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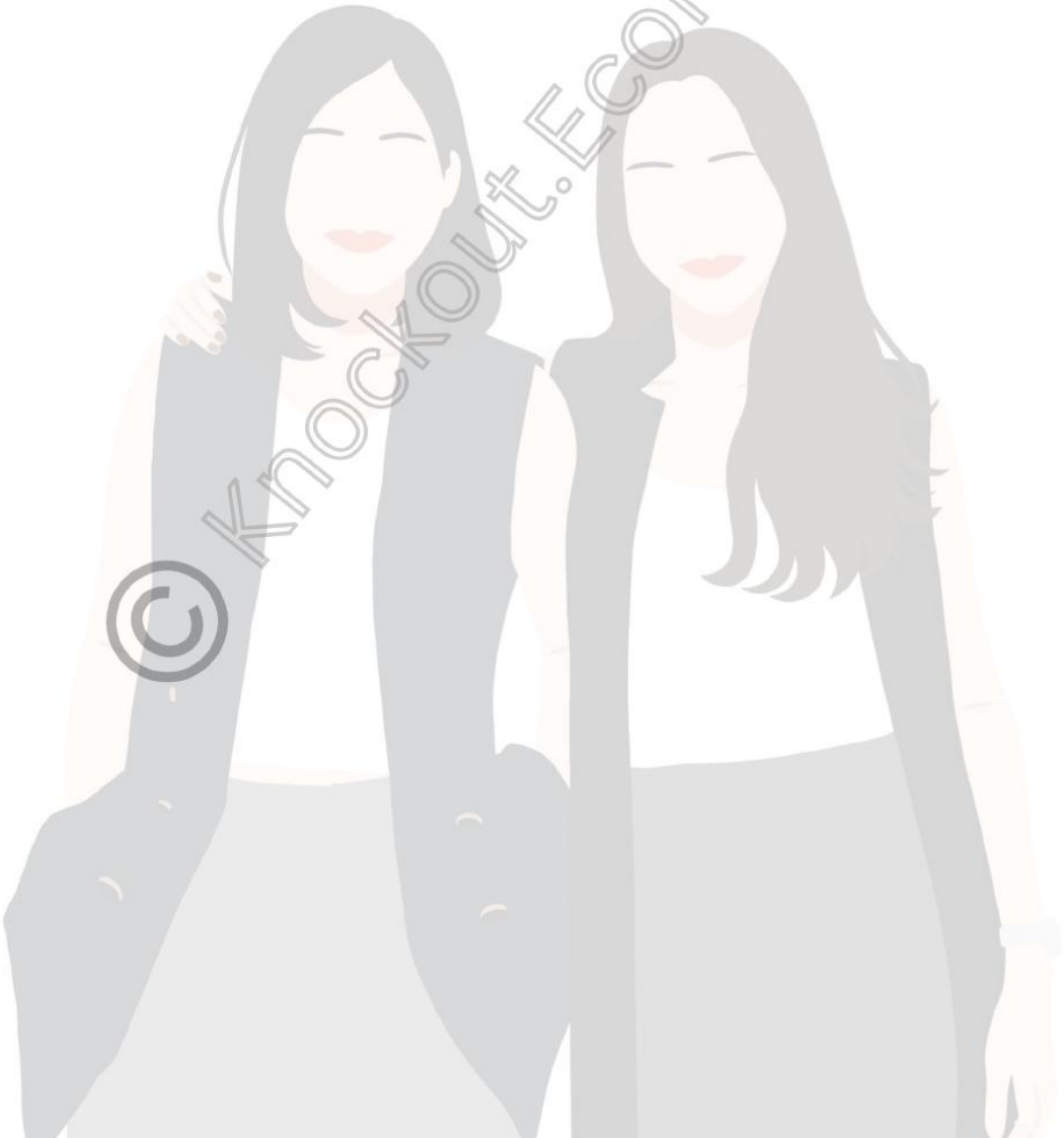
How businesses can use knowledge of YED ?

1. Firms can predict sales and adjust production scale.

e.g. During recession, firms selling inferior goods are likely to have higher sales so they should increase scale of production to respond higher demand.

2. During boom economy people are likely to have higher income, firms should switch to sell normal/luxury goods to gain higher sales.



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Chapter 9 : Marketing objective and strategy

1. Marketing objective

- **Increase market share**

: Higher market share is likely to give a business a competitive edge.

: Higher market share, produce more goods and services and as a consequence can achieve economies of scale. Eg. Lower supplier cost

- **Increase in revenue**

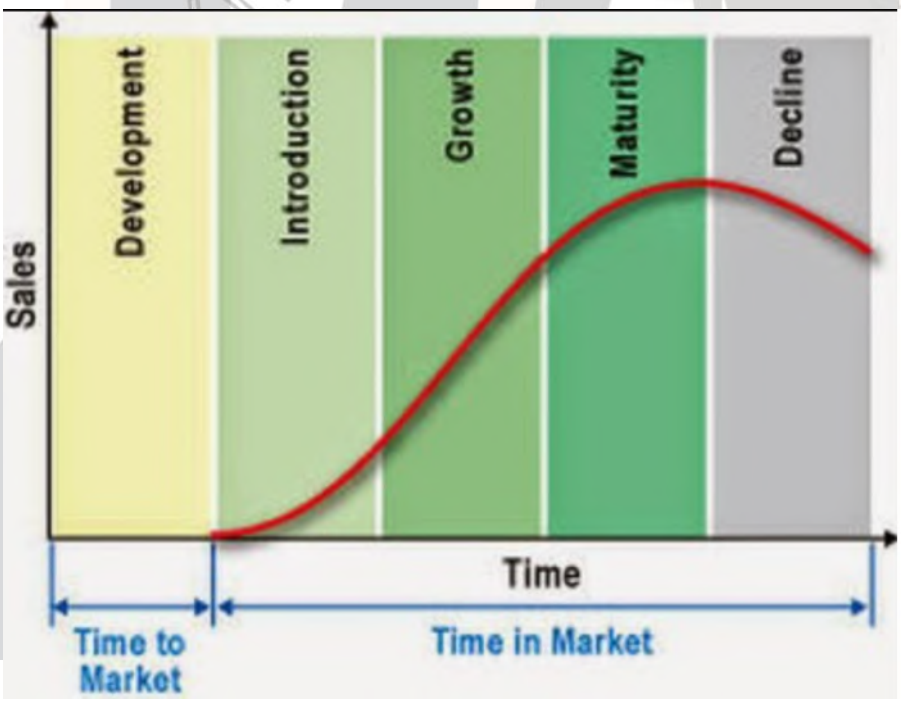
: Higher revenue and hence higher profit. Company has more budget to invest in marketing activities, being sponsor and international event.

- **Build a brand**

: Many businesses want to establish the name of their company or their products. Strong brands can generate huge returns for a business.

: Build brands may exploit a unique selling point, invest heavily in television advertising and etc.

2. Product life cycle and extension strategies



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2.1 Product development : During development stage the product is being researched and designed. Suitable ideas must be investigated, developed and tasted.

2.2 Introduction : Production will be launched in the market. As the product is new to the market, initial sales are likely to be slow.

- No generate profit
- Research and development cost & Promotion cost might be high

2.3 Growth

- Sales may begin to grow rapidly, new customers buy the product and there are repeat purchases.
- Unit costs may fall as production increases.
- Creates profitable

2.4 Maturity and saturation

: The product has become established with a stable market share at this point. Sales reach to their highest point and competitors will have entered the market to take advantages of profits.

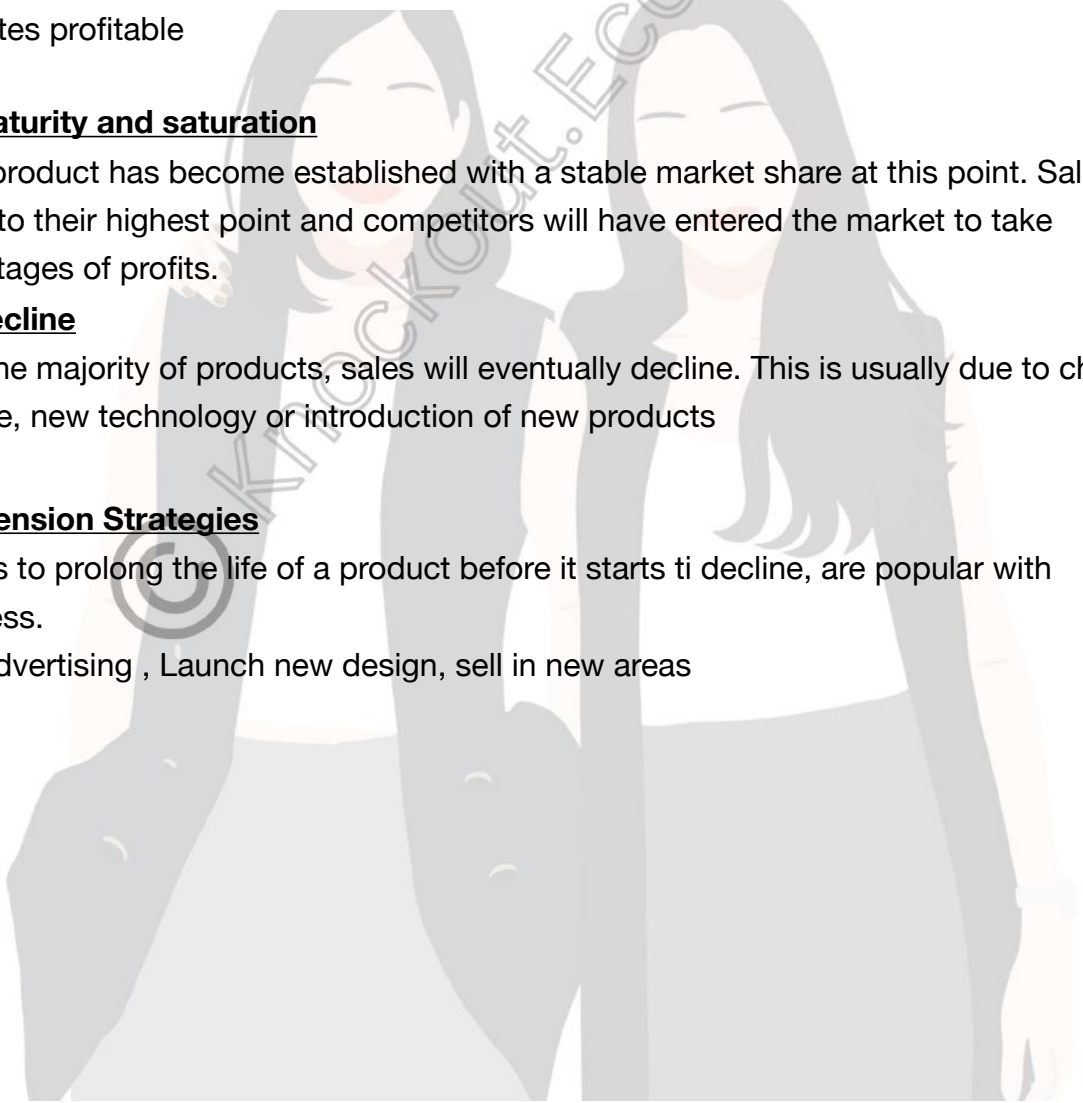
2.5 Decline

: For the majority of products, sales will eventually decline. This is usually due to changing in taste, new technology or introduction of new products

3. Extension Strategies

: ways to prolong the life of a product before it starts ti decline, are popular with business.

Eg. Advertising , Launch new design, sell in new areas



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4. Boston matrix and the product portfolio

4.1 The product portfolio : the product portfolio will be made up of product lines. Eg. Nestle produce wide range of products, including Kitkat, Milkybar and Yorkie and constantly look to launch new products.

4.2 Boston matrix : A means of analysing the product portfolio and informing decision making about possible marketing strategies.

- **Stars** : is a product with a high market growth and relatively high market share. Stars are valuable to businesses.

- **Cash cows** : is high market share but the market weak of growth. This position is likely to profitable but little chance of increasing in sales and profits in future.

- **Question mark** : Product with relatively low market share in fast-growing market. It is unclear what should be done with these products

- **Dogs** : These are products with a relatively low market share in market and low growth. Dogs have poor prospects for future sales and profits.

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5. Marketing mix (4P) : refers to elements of a firm's marketing strategy that are designed to meet the needs of its customers.

5.1 Product

5.2 Price

5.3 Promotion

5.4 Place

4P	Strategies for mass market	Strategies for niche market
Product	- there will be many products competing for customer attention. - The most successful businesses product in some way.(developing USP)	- Products is likely to significant differences from its rivals. - Products will be designed carefully in order to meet the very specific needs of customer.
Price	- The prices charged by businesses in a mass market are likely to be very similar. - Dominant firms can charge lower price since achieve economies of scales.	- Higher price can be charged without losing significant market share to rival
Promotion	- In the absence of price competition. Firms look to non-price competition to help gain an edge. Eg. Advertisting	- Promotion and advertising will tend to be more targeted. Since niche market are smaller there is less need to use national media

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Place	- Business serving mass markets will often use - Multiple channels to distribute their goods. eg. Business selling fast-moving consumers goods will target supermarkets, wholesalers independents and any other outlet that is suited to their particular product.	- Business selling into niche market are often more selective when choosing distribution channels. - They are more likely to use exclusive distributors or to handle distribution privately.

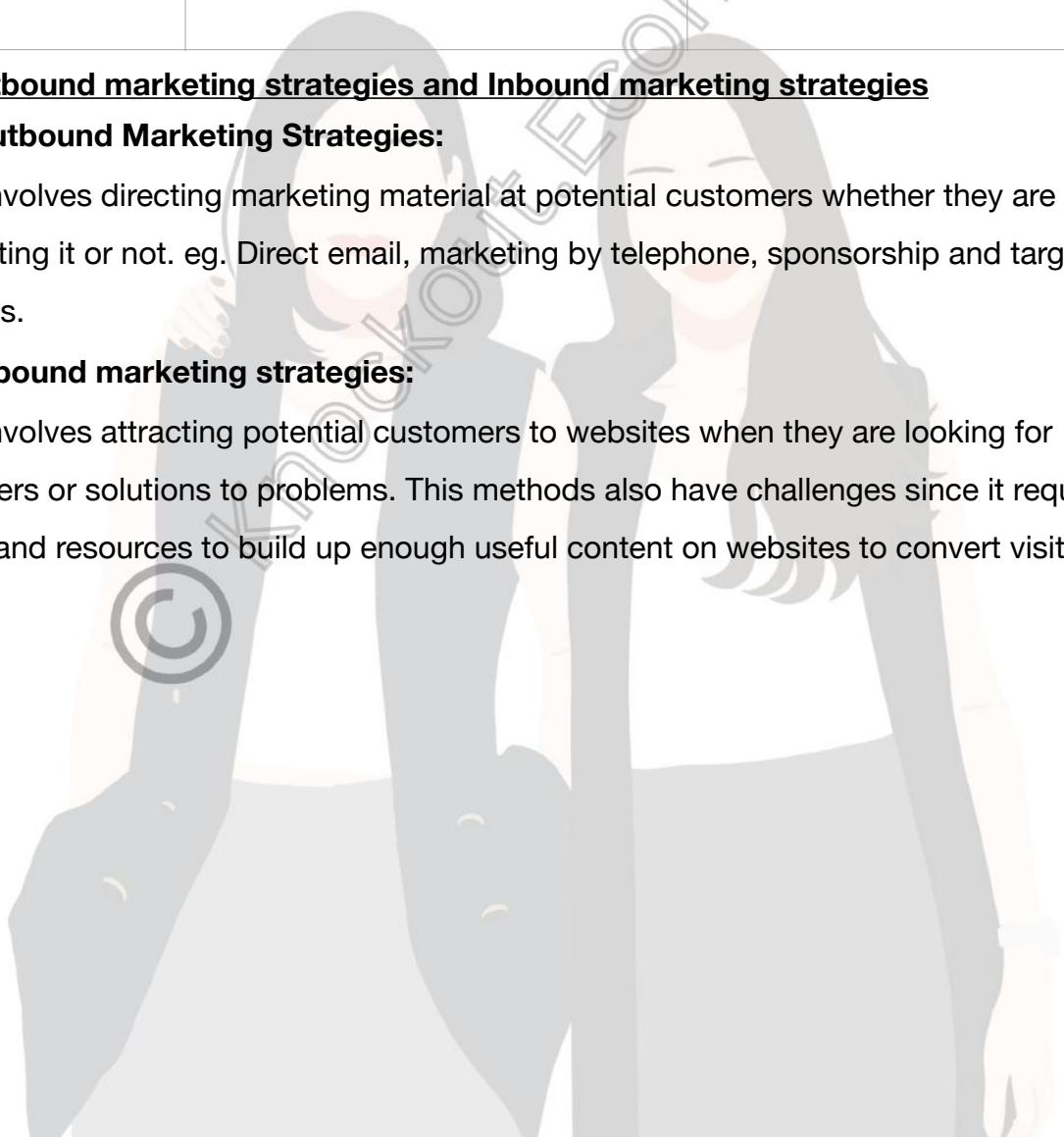
6. Outbound marketing strategies and Inbound marketing strategies

6.1 Outbound Marketing Strategies:

This involves directing marketing material at potential customers whether they are expecting it or not. eg. Direct email, marketing by telephone, sponsorship and targeted adverts.

6.2 Inbound marketing strategies:

This involves attracting potential customers to websites when they are looking for suppliers or solutions to problems. This methods also have challenges since it requires effort and resources to build up enough useful content on websites to convert visitors into leads.



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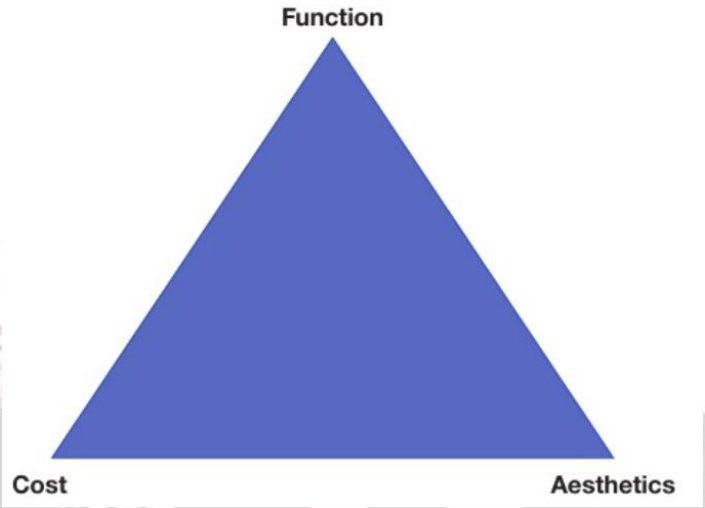
Chapter 10 : Product and service design

1. Product / Service Design

: involves the generation and development of ideas through a process that leads to new products and services.

: eg. The shape/ how easier and cost effectively it can be produced from the design / the dimension of material.

2. Design mix



2.1 Function

: It must be capable of doing the job that is sold to do. Products and services should also be convenient and easy for the customer to use. Eg. Ergonomic workstation

2.2 Aesthetics

: Products and services should stimulate people's senses in addition to performing a function. This is the product or services's aesthetic appeal.

: Appearance, size, shape, smell, taste or the presentation of services.

: Some companies use the designs that use more expensive materials to add aesthetic appeal of a product.

2.3 Cost / Economic Manufacture

: A well-designed product or services is more likely to be economically viable.

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: This means that a business should be able to produce and sell the product or services at a profit.

3. The design mix and social trends

: product designers need to aware of changes in social trends. eg. People have become increasingly aware about the effect their lifestyle on the environment. Therefore, design now attempt to reduce waste / facilitate the re-use and recycling of product and packaging.

3.1 Design for waste minimisation

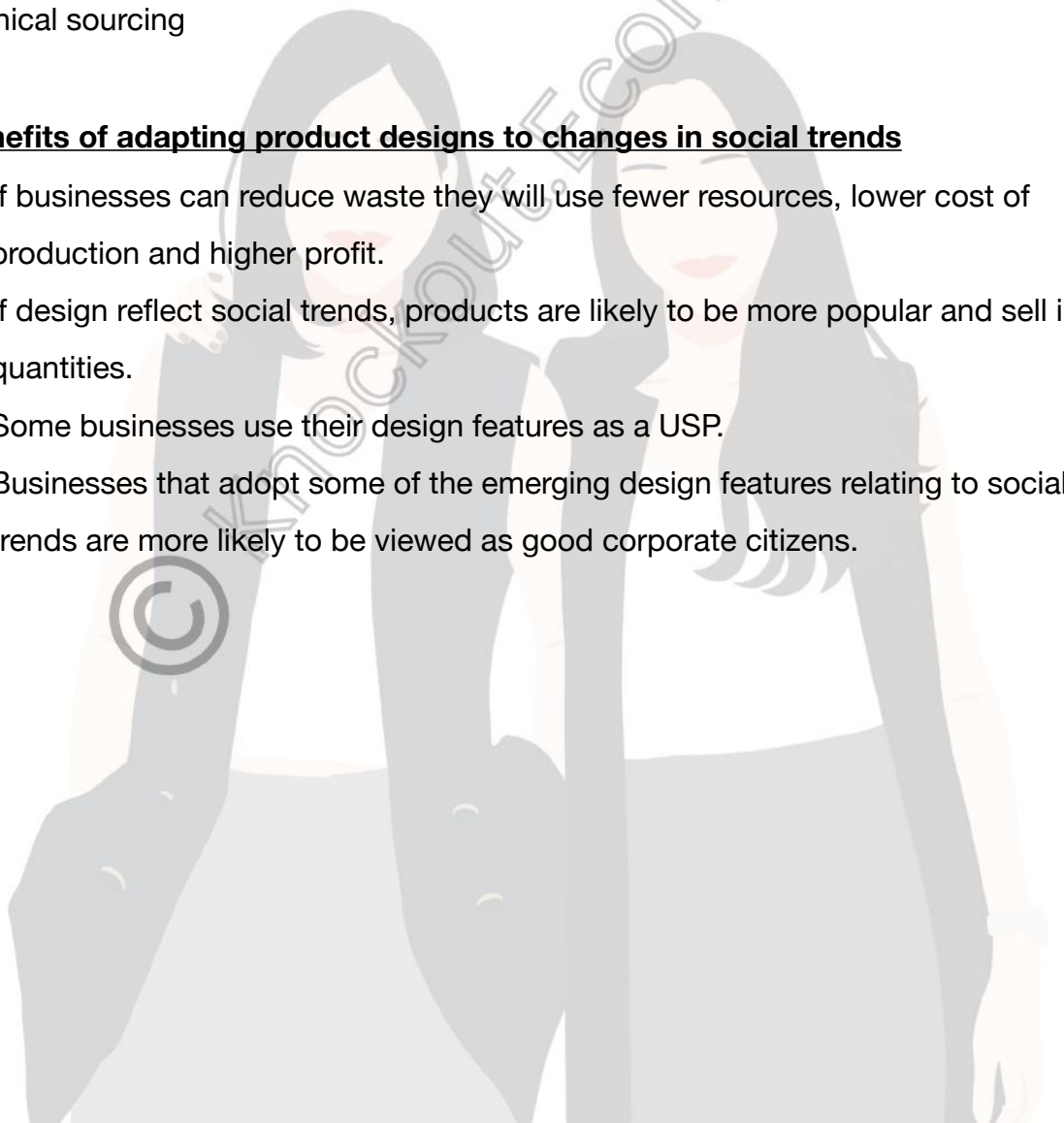
3.2 Design for re-use

3.3 Design for recycling

3.4 Ethical sourcing

4. Benefits of adapting product designs to changes in social trends

- If businesses can reduce waste they will use fewer resources, lower cost of production and higher profit.
- If design reflect social trends, products are likely to be more popular and sell in large quantities.
- Some businesses use their design features as a USP.
- Businesses that adopt some of the emerging design features relating to social trends are more likely to be viewed as good corporate citizens.



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Chapter 11 :Promotion and Branding

1. What is promotion?

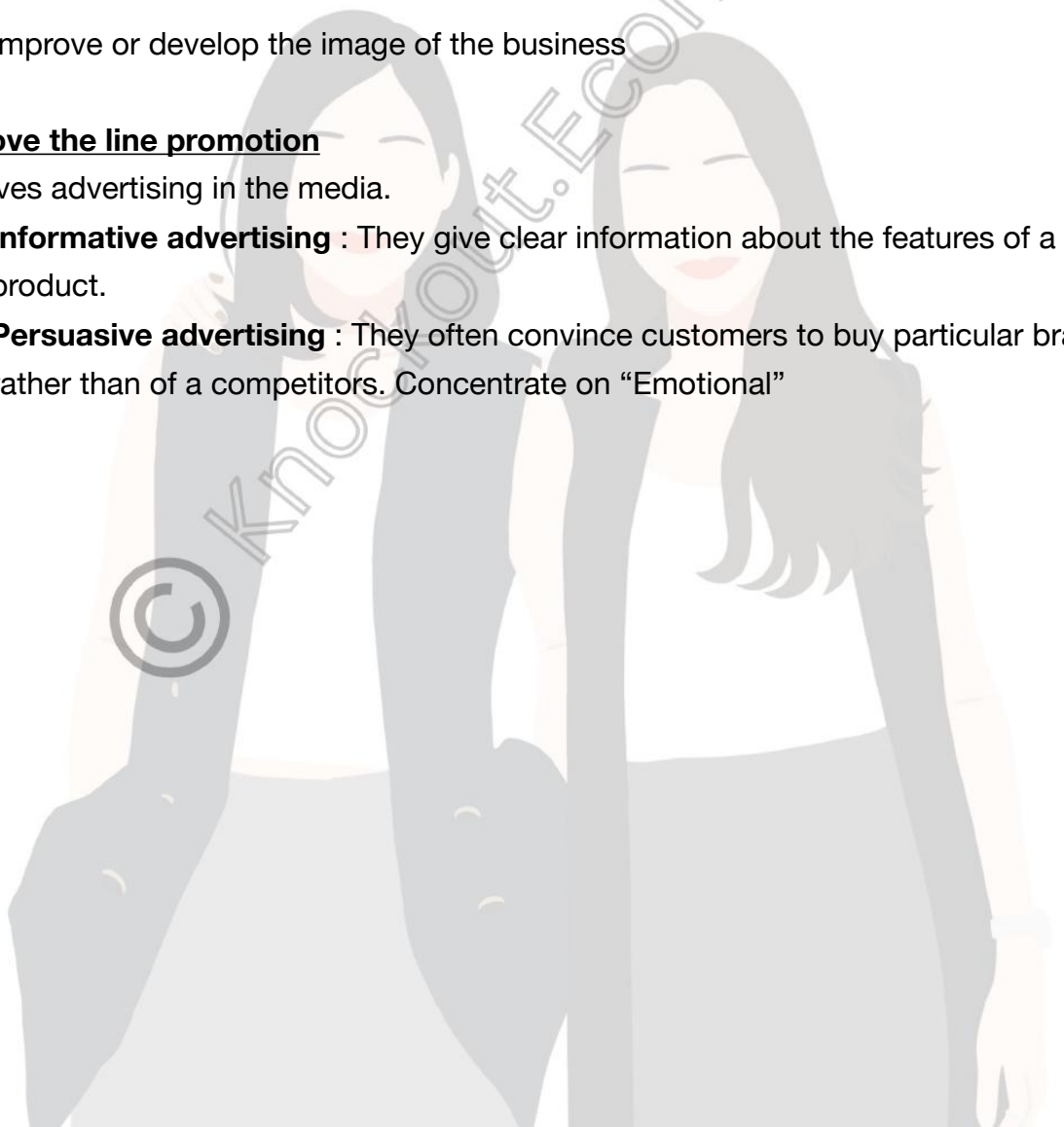
This involves business drawing attention to their products, services, or companies. Also some specific aims

- Tell consumers about new product
- Remind customer about existing products
- Reach a target audience that is spread over wide area
- Reassure customers that rival products are not as good
- Improve or develop the image of the business

2. Above the line promotion

: involves advertising in the media.

- **Informative advertising** : They give clear information about the features of a product.
- **Persuasive advertising** : They often convince customers to buy particular brand rather than of a competitors. Concentrate on “Emotional”



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For example ;

Media	Advantages	Disadvantages
Television	- Large audiences can be reached - The use of products can be demonstrated	- It is very expensive - Some viewers avoid television ads
Newspaper and Magazines	- It can refer to in the future - It is relatively cheap	- It is not eye-catching, no movement and sound - Individuals ads may be lost in " Sea of ads"
Internet	- Firms can select audience - It can be measured - For goods available online, there is no delay between seeing ads and shopping for the product online	- Some ads such as pop-up ads irritating - Not everyone can access internet

3. Below the line promotion

3.1 Sales promotion : encourage people to buy products

- Free gifts : Business might give free gifts to customers when they buy the products - Coupons : Money-off voucher
- Loyalty Cards : Points are collected and then exchanged for cash
- Competitions : An attractive prize is offered to the winners
- BOGOF offers : buy one get one free
- Money-off deals : offer customers discount such as 30% off.

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3.2 Public Relationship (PR) : business communicate with stakeholders

- Press Releases : Some information about the business may be presented to the media
- Press conferences : This is where representatives meet with the media and present information to the person

3.3 Merchandising and packaging : point of sales , something interest, eye-catching and likely to encourage sales

- Product layout : The layout of products in a store is often planned very carefully to encourage shoppers to follow particular routes and look at certain products.

3.4 Direct mailing : where business mail out leaflets or letters to households.

3.5 Direct selling or personal selling : This might involve “a sale rep” at household or businesses hoping to sell products. It could also a telephone call from call centre where sales staff are employed to sell over the telephone.

4. Choosing methods of promotion

4.1 Cost : Cost effective or not?

4.2 Market type : Local business often rely on adverts in local newspapers and listing in business phone directories. On the other hands, mass market is likely to use television or national newspaper.

4.3 Product type: Certain products are better suited to certain methods of promotion. Eg. Supermarket => not personal selling

4.4 Stage in the product life cycle : It is common for promotional methods to change as a product gets older.

4.5 Competitors’ promotions : It is common for businesses to copy successful methods of promotion used by rivals.

4.6 Legal factors : eg. EU tobacco products cannot be advertised on television.

5.) Types of branding

: aims of businesses is to build a powerful brand. Brand involves in giving product a name, sign, symbol, logo, design, etc.

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5. Types of branding

5.1 Manufacturing Brands : brands created by the producers of goods and services. The manufactures are involved in the production, distribution, promotion and pricing decision.

5.2 Own-label brands: (private brands) are products which are manufactured for wholesalers and retailers by other businesses. But the wholesalers and retailers sell the products under their own name.

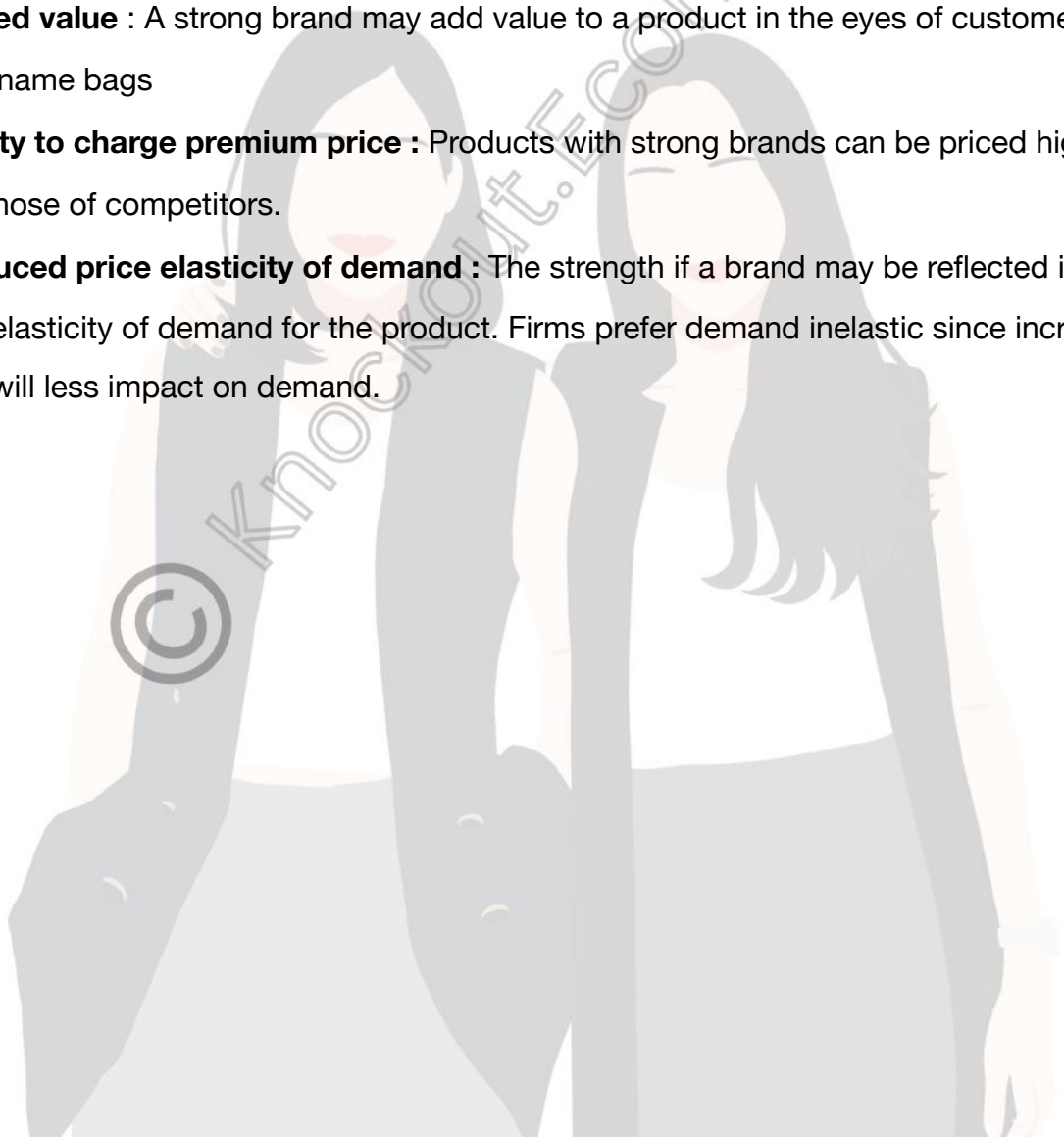
5.3 Generic brands: are products that only contain the name of the actual product category rather than company or product name. Eg . Mama (noodles)

6.) The benefits of strong branding

- **Added value** : A strong brand may add value to a product in the eyes of customers. eg. Brandname bags

- **Ability to charge premium price :** Products with strong brands can be priced higher than those of competitors.

- **Reduced price elasticity of demand :** The strength if a brand may be reflected in the price elasticity of demand for the product. Firms prefer demand inelastic since increase price will less impact on demand.



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Chapter 12 : Price

1. Pricing Strategies

: is a set of plans designed to meet objectives, pricing can help business to achieve its marketing and corporate objectives.

Pricing Strategies	Description	Advantages	Disadvantages
1. Cost-Plus pricing	Adding a mark-up to unit costs. It's common for retail business	- Gain profit as firms prefer	- Ignore market conditions
2. Price skimming	Set high price for new product or innovation	- Help business to recover research and development cost	- Firms can increase sales when demand is inelastic
3. Penetration Pricing	Charge low price in order to enter to the market	- If demand is elastic, firms can receive more revenue	- There will be lower profit margin
4. Predatory pricing	Aim to eliminate competitors from the market by charging unrealistically lower price	- It can eliminate some of competitors	- It is illegal and unfair for some business
5. Competitive pricing	Some businesses take very close look at wha their rivals are charing when setting their price	- Firms can increase sales revenue if demand is elastic	- It is impractical for inelastic demand

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2.) Factors that determine the most appropriate pricing strategy for a particular situation

2.1 Differentiation and USP

: A business can generally charge a higher price if its product has a USP or sufficient differentiated from those of its rivals. This is because many customer are prepared to pay more for products with some individuality or additional features.

2.2 Price Elastic of demand

: If the demand for firm's product is price inelastic, there will be scope for price increase. This can increase revenue to firms.

2.3 Amount of competition

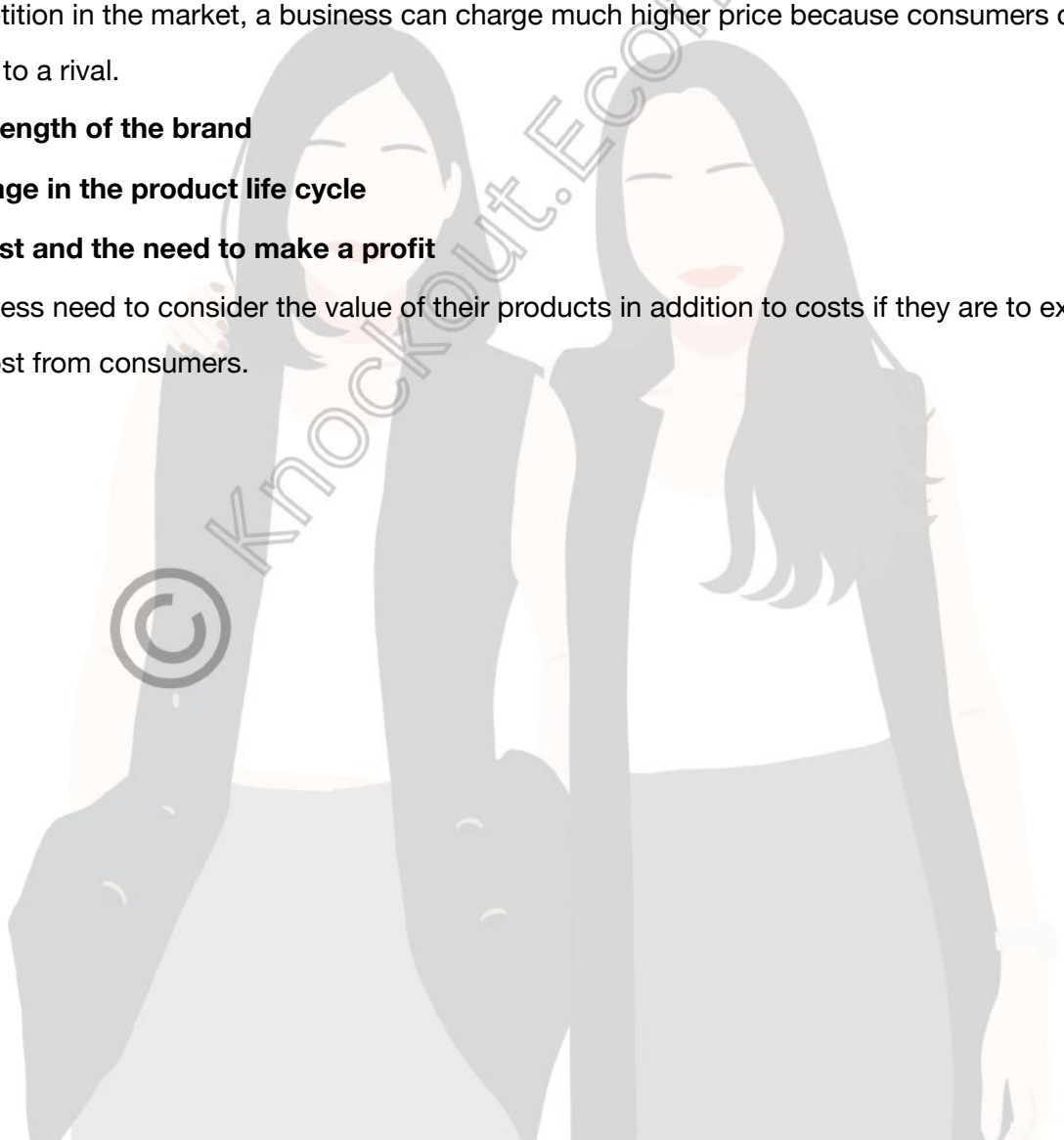
: The amount of competition in a market will have a big influence on pricing. If there is very competition in the market, a business can charge much higher price because consumers cannot switch to a rival.

2.4 Strength of the brand

2.5 Stage in the product life cycle

2.6 Cost and the need to make a profit

: Business need to consider the value of their products in addition to costs if they are to extract the most from consumers.



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Chapter 13 : Distribution

1. Distribution

: which refers to the location where consumers can buy products from. If business cannot get products in the right place at the right time they are nor likely to be successful.

2. Distribution channels

: Business can choose from a number of different distribution channels

2.1 Two Stage

: Producer —— Consumers

2.2 Three Stage

: Producer —— Retailers —— Consumers

2.3 Four Stage

: Producer ——Wholesalers ——Retailers ——- Consumers

- **Wholesalers :** usually buy from manufacturers and sell to retailers. Wholesalers may break bulk, repack goods and redistribute smaller quantities, store goods and provide delivery services.
- **Retailing** : are businesses that buy goods and sell them straight to consumers. They provide a number of services.

3. Two-stage distribution

3.1 The internet : Some manufacturers also have own websites.

3.2 Direct mail : This is where suppliers send promotion through the post direct to customers inviting them to buy products.

3.3 Door-to-door selling : This is where salespeople visit household directly, inviting people to buy products or services.

3.4 Mail order catalog : This is where catalogues are distributed to customers who may buy the product illustrated.

3.5 Direct response adverts: Direct response adverts : Some businesses place adverts in newspaper, magazine, or television inviting people to buy goods and services.

3.6 Shopping parties : Representatives organise parties and invite people to attend for an enjoyable social occasion while having the opportunity to buy products such as

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jewellery, cosmetics and kitchenware.

3.7 Telephone selling : Although many people do not welcome telephone calls from businesses trying to sell them goods and services, the practice is still widespread.

4. Agents or Brokers

: Agents mean the third parties link between buyers and sellers.

5. Choosing the appropriate distribution

5.1 The nature of the product : Different types of products may require different distribution channels.

- Most services are sold directly to consumers. Eg. Hairdressers
- Fast-moving consumer goods like breakfast cereals, confectionery and crips.
- Business producing high quality "exclusive" products such as perfume and design clothes, will choose their outlets very carefully.
- Products that need explanation or demonstration, such as technical products or complex financial products might need to be sold by expert salespeople or specialists

5.2 Costs : Businesses will normally choose the cheapest distribution channels. However, need to think about the effectiveness of distribution channels

5.3 The market: Producers selling to mass markets are likely to use intermediaries. On contrast, businesses targeting smaller market are more likely to target customer directly.

5.4 Control : Some producer it is important to have complete control over distribution. For example. Producers of exclusive products do not want to see them being sold in less prestigious outlets as this might damage their image.

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Chapter 14 : Approach to staffing

1.) Approaches to staffing

Different businesses have different approaches to their staff.

1.1 Staff as an asset : Employers who view their staff as assets will value their employees and have concern for their welfare. This might involve providing in

- Acceptable remuneration
- Reasonable holiday, sick leave, maternity/paternity leave or pensions
- A safe and comfortable working environment
- Training, so that staff can develop skills and carry out work tasks successfully and safely
- Job security and opportunity to interact with colleagues
- Recognition and professional relationships
- Clear and effective leadership
- Chances for promotion
- Opportunities to solve problems, work in teams and be creative

If employer treat stage as assets, they will also make an effort to retain them.

1.2 Staff as a cost : If employers view their staff as cost, their focus is likely to different. - Paying just the legal national minimum wage

2) Flexible workforce

: this helps a business to adapt to change more easily.

2.1 Multi-skiling : is a term used to describe the process of enhancing the skills of employees. It is argued that giving individuals the skills and responsibilities to deal with greater variety of issues.

Evaluation:

+ create motivation and improve their performance - Need more training + higher wage is required

2.2 Part-time and temporary staff : people who normally work for not more than around 20 hours per week except where it is stated otherwise.

Evaluation:

+ suit for lifestyle

+ Flexible for business eg. Hire only peak business cycle - limited period only

- No training and less opportunity for promotion

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2.3 zero-hour contracts : eg. Piece-work or on-call work , means that workers are on call to work when the employer needs them OR employers do not have to give them work OR employee do not have to work when asked.

Eg. Hospitality industry such as hotels / restaurants and catering at events

2.4 Flexible hours and home working : The workforce is more flexible if staff work flexible hours.However, there are different way of arranging this. Eg. Staff might have to work a number of hours in particular time period. OR home workers eg. Farmer / shop owners / writers / designer etc

Evaluation

+ Business can be flexible if they can often remain open for longer hours.

+ Workers can take day off using a flexitime system.

+ Business less cost since less cost of office space / equipment / heating or etc

- Communication problems if staff cannot be contacted and it is more difficult to monitor the quantity and quality of work undertaken.

2.5 Outsourcing : This involves getting other people or businesses to carry out tasks that were originally carried out by people employed by business.

Evaluation

+ Allow a business focus on business

+ More specialists are employed

+ Cost will be lower since no need to pay for welfare

- Loss of control and the dependence on supplier

- Different culture therefore increase in conflict among groups of worker

3.) Distinction between dismissal and redundancy

3.1 Dismissal : Misconduct or because employee is incapable of doing jobs.

3.2 Redundancy : Where is insufficient or no work for the employee to do. Workers are most likely to be made redundant during a recession or when a business struggling due to external factors.

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4.) Employers and Employee relationships

: The relationship between employer and employee is important . However, there are different objective so might have conflict among parties. This is because the objectives of the two groups are sometimes in conflict,

4.1 Rate of pay : employers often attempt to restrain wage growth to help control cost and remain competitive. In contrast, employees want higher wages to keep up rises in cost of living and standard of living.

4.2 The introduction of technology : Employers are often keen to use new technology because it help to increase efficiency in their business. However, increase in technology might increase rate of unemployed.

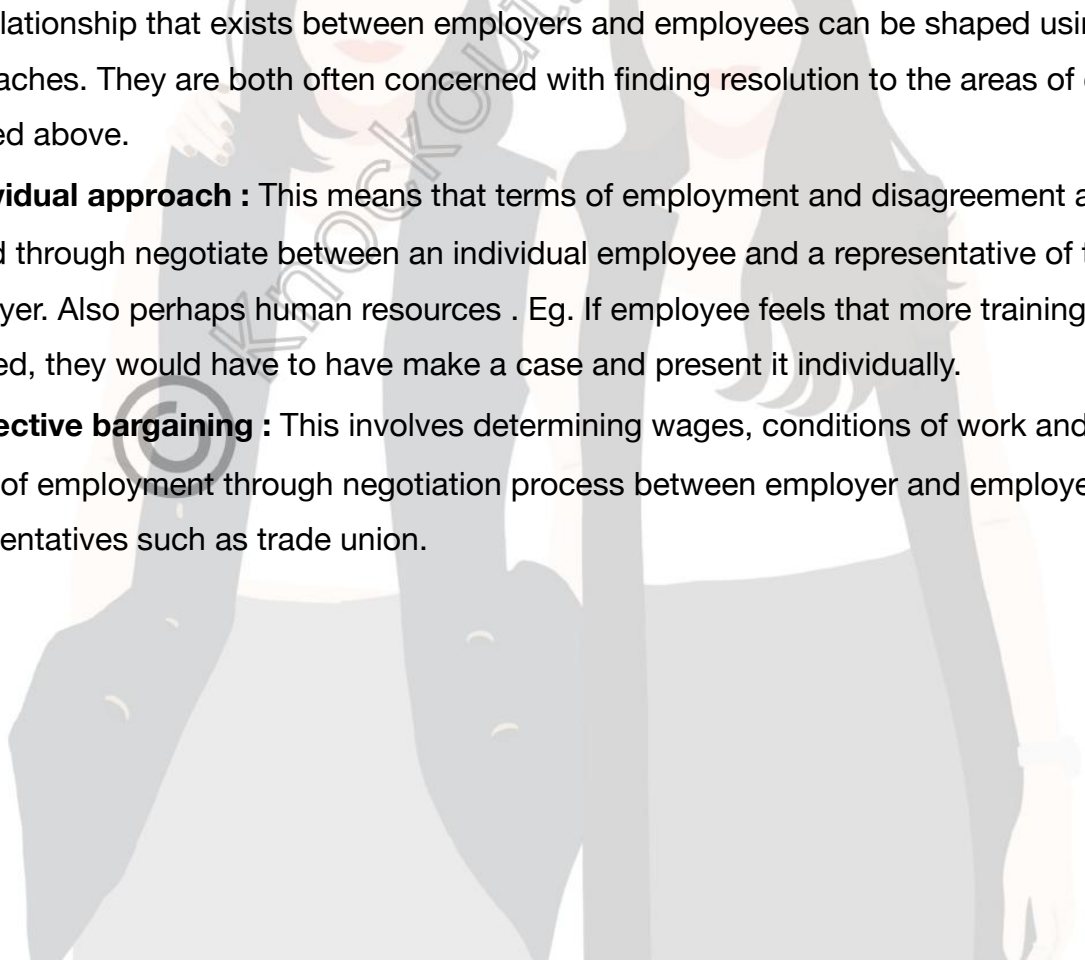
4.3 Flexible working: Employers prefer to employ a flexible workforce since it helps to manage production more efficiency. While workers want permanent job and security

4.4 Work conditions: Employees may want their better condition or facilities from employers but employers need to control cost.

The relationship that exists between employers and employees can be shaped using two approaches. They are both often concerned with finding resolution to the areas of conflict outlined above.

- Individual approach : This means that terms of employment and disagreement are settled through negotiate between an individual employee and a representative of the employer. Also perhaps human resources . Eg. If employee feels that more training is required, they would have to have make a case and present it individually.

- Collective bargaining : This involves determining wages, conditions of work and other terms of employment through negotiation process between employer and employee representatives such as trade union.



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Chapter 15 : Recruitment, Selection and Training

1. Recruitment

: when business hire new employees they need to attract and appoint the best people- those with right skills and appropriate experience. A business may need to hire new staff because :

- The business is expanding and more labour is needed
- People are leaving and they need to be replaced
- Positions have become vacant due to promotion
- People are required for given period to cover temporary staff absence, due to maternity or paternity leave

2. Stages in the recruitment and selection process

2.1 Identify the type and number of staff needed

2.2 Prepare job description and person specification

2.3 Advertise the job using appropriate media

2.4 Evaluate applicants and select a shortlist for interview

2.5 Carry out interviews

2.6 Evaluate interviews and make appointments

2.7 Provide feedback for unsuccessful candidates

3. Job description and person specification

3.1 Job Description : States the title of a job and outlines the tasks, duties and responsibilities associated with that job. If a new job is created, a new job description may have to be prepared. The main purpose of a job description is to show clearly what is expected from employee.

3.2 Person Specification : provides details of the qualifications, experiences, skills, attitudes, and any characteristics, experiences, that would be expected of a person appointed to do a particular job.

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4. Internal and External Recruitment

4.1 Internal Recruitment

: is recruitment from within business. An employee may be chosen to be offered a post.

Advantages	Disadvantages
1. It is cheaper because of no adverts 2. Internal recruits might already familiar with the producers and working environment of the business. Therefore, it is less training cost 3. The qualities, abilities and potential of the candidate should be better known to employer 4. Regular internal recruiting can motivate staff.	1. Less creativity from outsiders 2. Not specialise

4.2 External recruitment

: is when someone is appointed from outside the business.

(Advantages and disadvantages opposite to internal recruitment)

How to apply external recruitment

4.2.1 Word of mouth : This means a person hearing about job from someone else, often someone who works in the place of employment.

4.2.2 Direct application : Many jobseekers send their details to employers for whom they would like to work just in case they have a vacancy.

4.2.3 Advertising : The employers may place advertisements in local or national newspaper. The internet is another way to advertise job vacancy.

4.2.4 Private employment agencies : The business may employe a private employment agency to find candidates .

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5.) Costs of recruitment, selection and training

Some of the main costs incurred are outlined below;

5.1 Recruitment and selection cost :

- Human resource department : since staffs are required.
- Administration cost increases : when checking and updating job description and person specifications.
- Job will have to be advertised. If internal recruitment => advertising cost will be lower.
- Time will be spent handling and sorting applications.
- The interviewing process can also be expensive for a business. It is likely to involve some highly paid senior staff.
- Sometimes the new person recruited will negotiate a higher salary or better benefits than the outgoing person they are replacing, again adding to the business's costs.

5.2 Training cost :

- **Training courses and other resources** : Businesses will have to pay training providers if they use external training. Even internal training and equipment is needed.
- **Loss of output** : In workers are involved in off-the-job training they will not be producing anything. This will result in lower output levels.
- **Employees leaving** : Businesses are likely to get very frustrated if employees leave and join a rival company after they have invested in training them.

6.) Training :is the process of increasing the knowledge and skills of workers so that they are better able to perform their jobs. The objectives of training differ from business to business include:

6.1) Induction training

: It is designed to help employees settles quickly into business and their jobs. Most induction training attempts to introduce workers to the natural of the business and work practices including health and safety issues.

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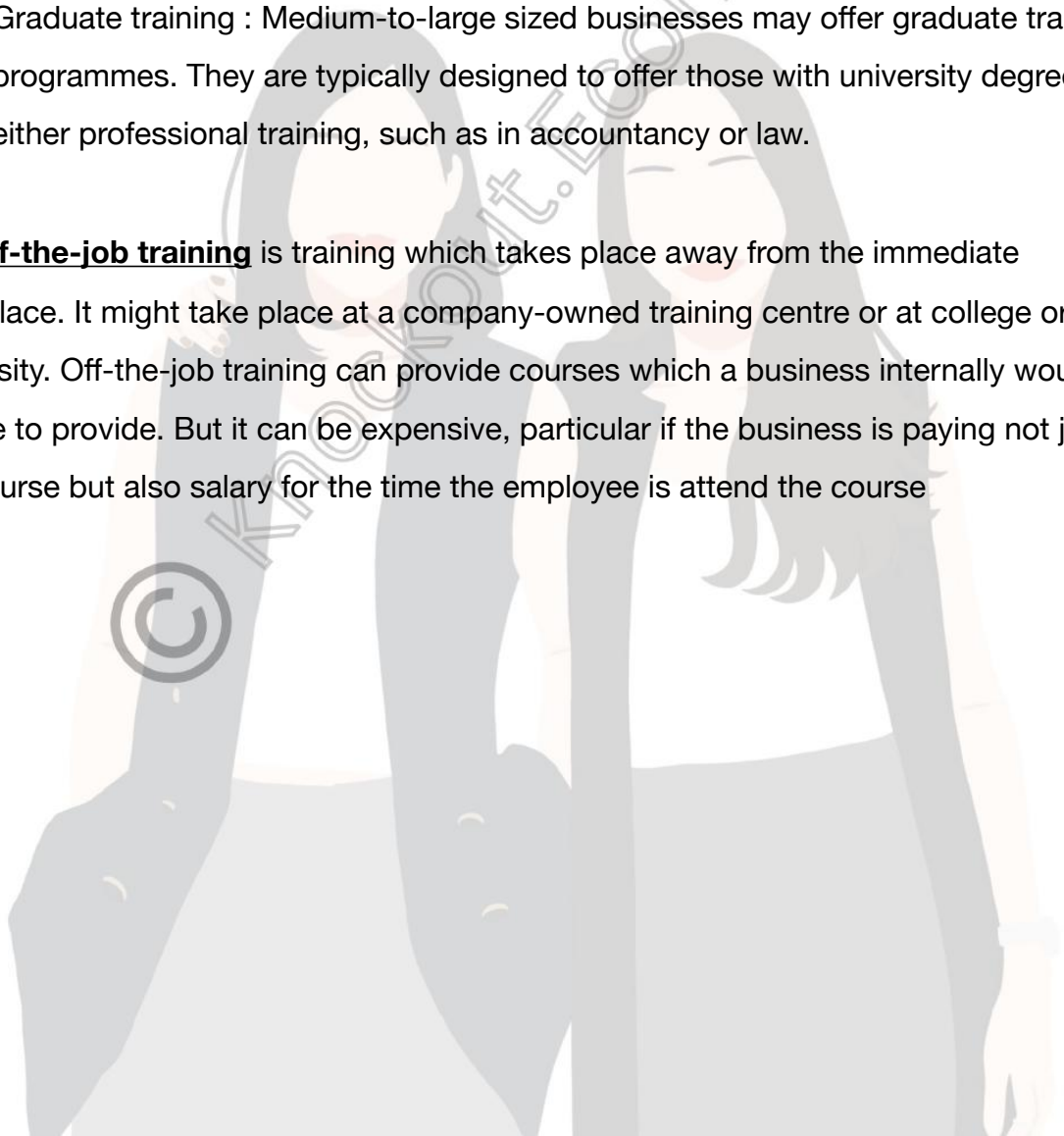
6.2 On-the-job training

: is training given in the workplace by the employer.

- Learning from other workers
- Mentoring : This is where a more experienced employee is asked to provide advice and help to a less experienced worker.
- Job rotation : This is where a worker spend a period of time doing one job, then the another period of time doing another job.
- Traditional apprenticeship: Workers in traditional skilled trades, such as woodwork or engineering , would undertake training over, say, 3 to 5 years in an apprenticeship. This would involve a mix of training methods.
- Graduate training : Medium-to-large sized businesses may offer graduate training programmes. They are typically designed to offer those with university degrees either professional training, such as in accountancy or law.

6.3 Off-the-job training is training which takes place away from the immediate workplace. It might take place at a company-owned training centre or at college or university. Off-the-job training can provide courses which a business internally would be unable to provide. But it can be expensive, particular if the business is paying not just for the course but also salary for the time the employee is attend the course



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7.) Benefits of training

Managers	Owners	Employees	Customers
• Managers will benefits because workers may be better motivated and more satisfied. This makes then co- operative and easy to work with • More flexible since higher skills • Improve image of business and easier to attract and retain high-quality staff	• Higher productivity and hence lower cost • Higher competitiveness	• Workers able to work faster and effectively . • Reduce anxieties about their work and provide more job satisfaction. • More motivation and able to gain promotion or get a better job	• training improves quality and skills then consumers will benefits from better quality products and improve in customer services.

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Chapter 16 : Organisational Design

1. Organisational Structural : The structure is the way in which position with in the business are arranged.

The organisational structures of the business defines :

• The workforce roles of employees and their Job titles.

• The route through which decisions are made.

• Who is responsible and who is accountable to whom, and for what activities • The relationship between position in a business

• How employees communicate with each other

• how information is passed on.

1.1. Hierarchy

: Hierarchy is the level of management in business from the lowest to the highest rank.

1.2 Chain of command

- The chain of command is the way authority is organized. Order passes down, info passes up.
- Businesses try to reduce chain of command as short as possible to increase effectiveness of communication.

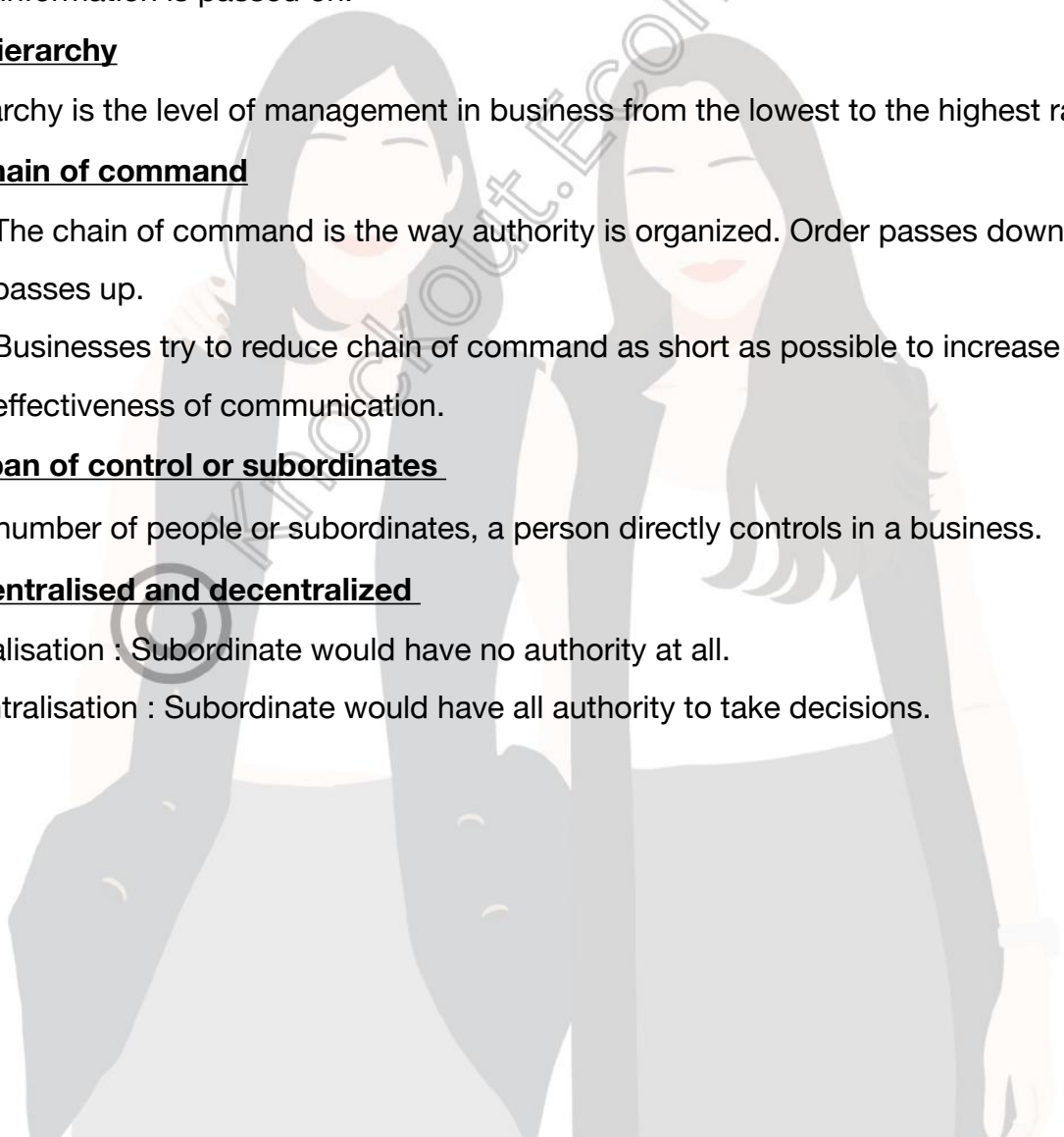
1.3 Span of control or subordinates

- The number of people or subordinates, a person directly controls in a business.

1.4 Centralised and decentralized

Centralisation : Subordinate would have no authority at all.

Decentralisation : Subordinate would have all authority to take decisions.



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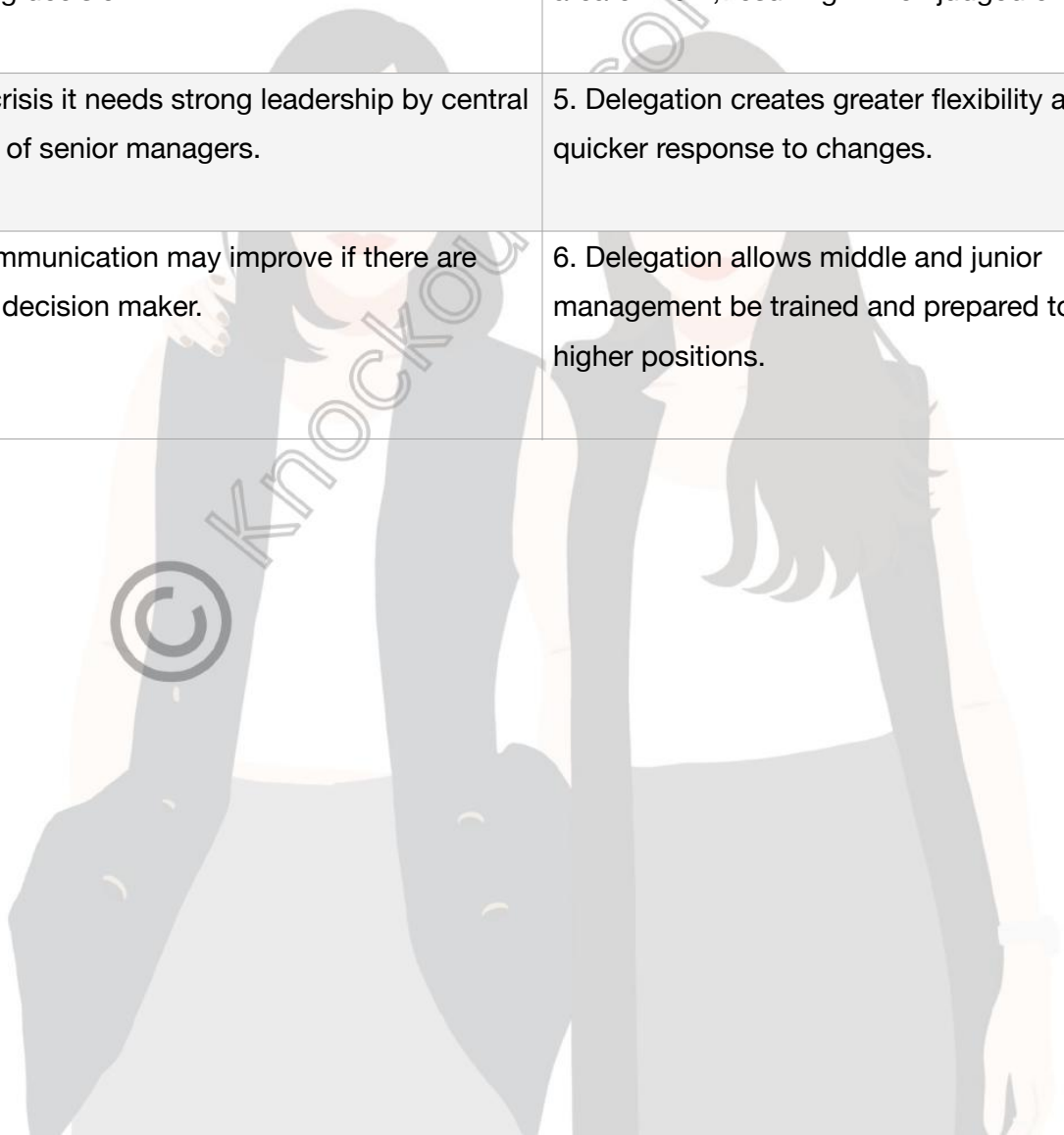
Advanatges	Disadvantages
1. Senior management has more control over business.	1. It empowers and motivates workers.
2. Procedures such as ordering are standardised leading to economies of scales and lower cost.	2. It reduce stress and burden to senior manager.
3. Senior manager can make their own decisions and subordinates follow the views of department.	3. Subordinates have grater job satisfaction by making their own decision.
4. Senior managers have more experience in making decision.	4. Subordinates have better knowledge in their area of work, resulting in well-judged choices.
5. In crisis it needs strong leadership by central group of senior managers.	5. Delegation creates greater flexibility and quicker response to changes.
6. Communication may improve if there are fewer decision maker.	6. Delegation allows middle and junior management be trained and prepared to take higher positions.



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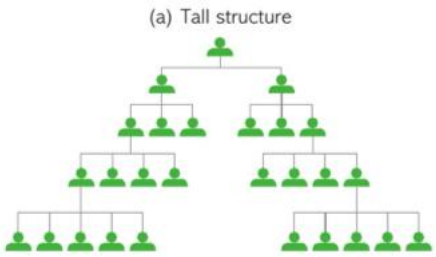
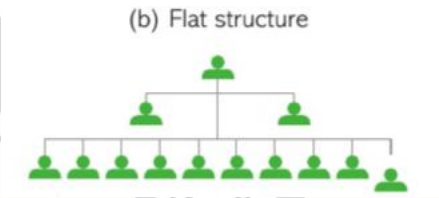
2. Types of organisational structure

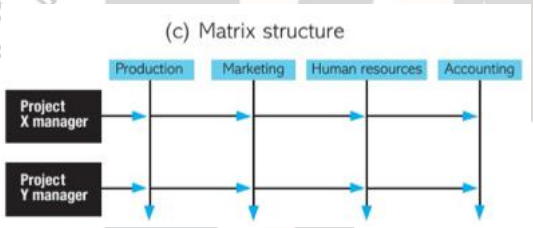
2.1 Tall structures : There is a long chain of command but narrow span of control.



2.2 Flat structures : There are fewer layers in the hierarchy.



2.3 Matrix Structures : Getting people together from different areas in the business to form a project team. Individuals within the team have their own responsibility. Teams are not fixed and can be made to suit the business need. It is used to solve particular problems in business that require a range of areas of expertise.



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3. Implications of different organisation structures

Organisational structure	Advantages	Disadvantages
1. Tall structure	1. Managers have more control over thier subordinates. Employees are more closely supervised. 2. A clear route for promotion motivates staff.	1. Management cost is higher as there are more managers. 2. Poor communication from long chain. 3. Slow down decision making
2. Flat structure	1. Communition is better& quicker from short chain of command. 2. Management cost is low from fewer layers of management. 3. Employees are motivated by less closely controlled. 4. Employees are empowered to responsible their works.	1. Managers may lose control over thier subordinates from wide span of control. 2. It may cause a fall in productivity of subordinates. 3. It may have co-ordination problems if manager are responsible for many subordinates.

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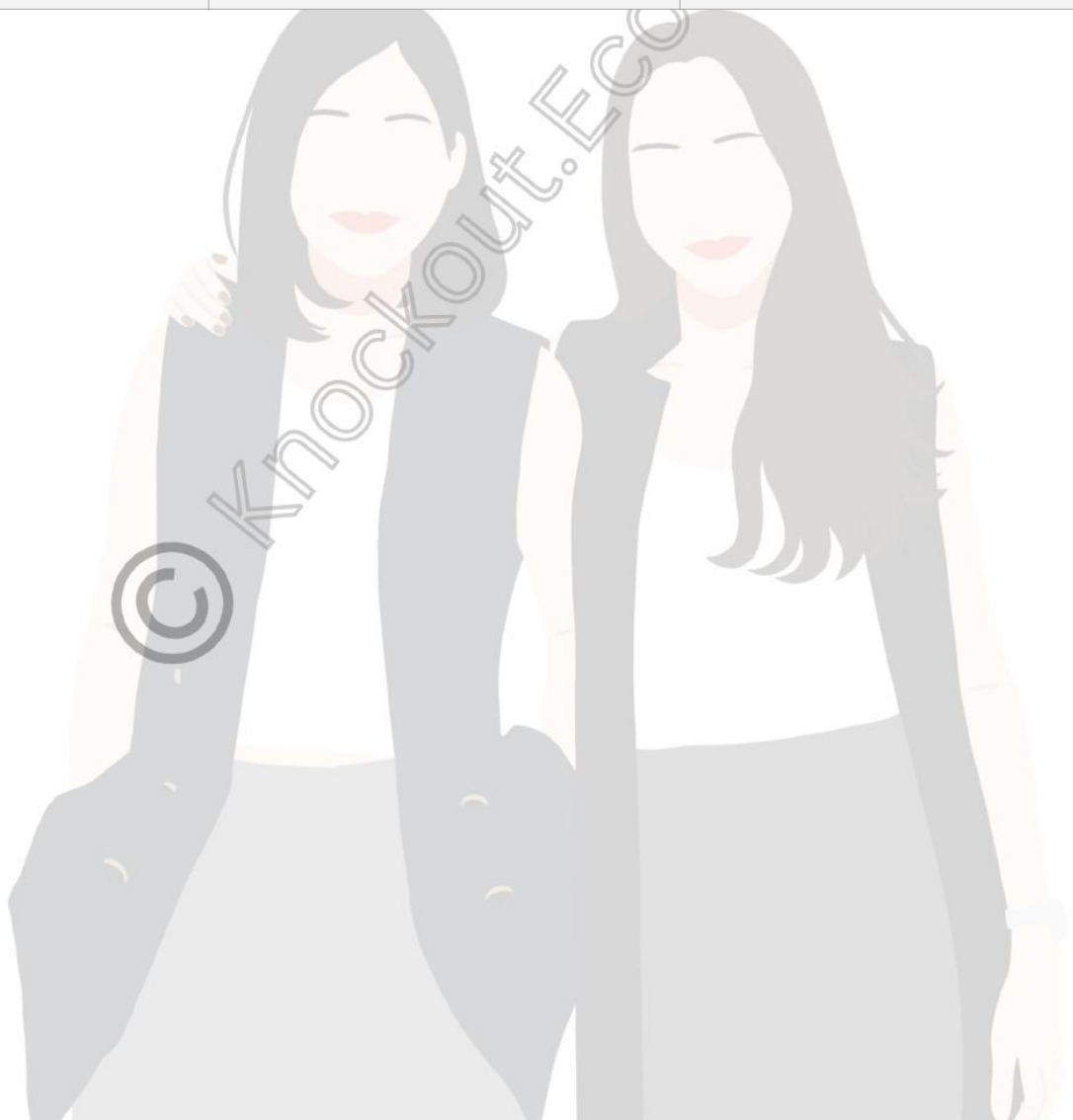
3. Matrix structure	1. The best way of organising people as it is based on the expertise and skill of workers. 2. It improves flexibility and motivation of employees.	1. The method often needs expensive support systems such as extra administrative and office staff. 2. It may have problems with co- ordinating a team from different departments and with the speed of decision making .



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Chapter 17 :Motivation in theory and practice

1. The importance of motivation

- Even if employees are satisfied with pay and conditions at work, they complain that their employers does not do a good job in motivating them.

- If employees lack of motivation => low productivity

- If employees are watched closely => they fear of wage cut and redundancy => forcing them to maintain their effort.

2. Motivation theories

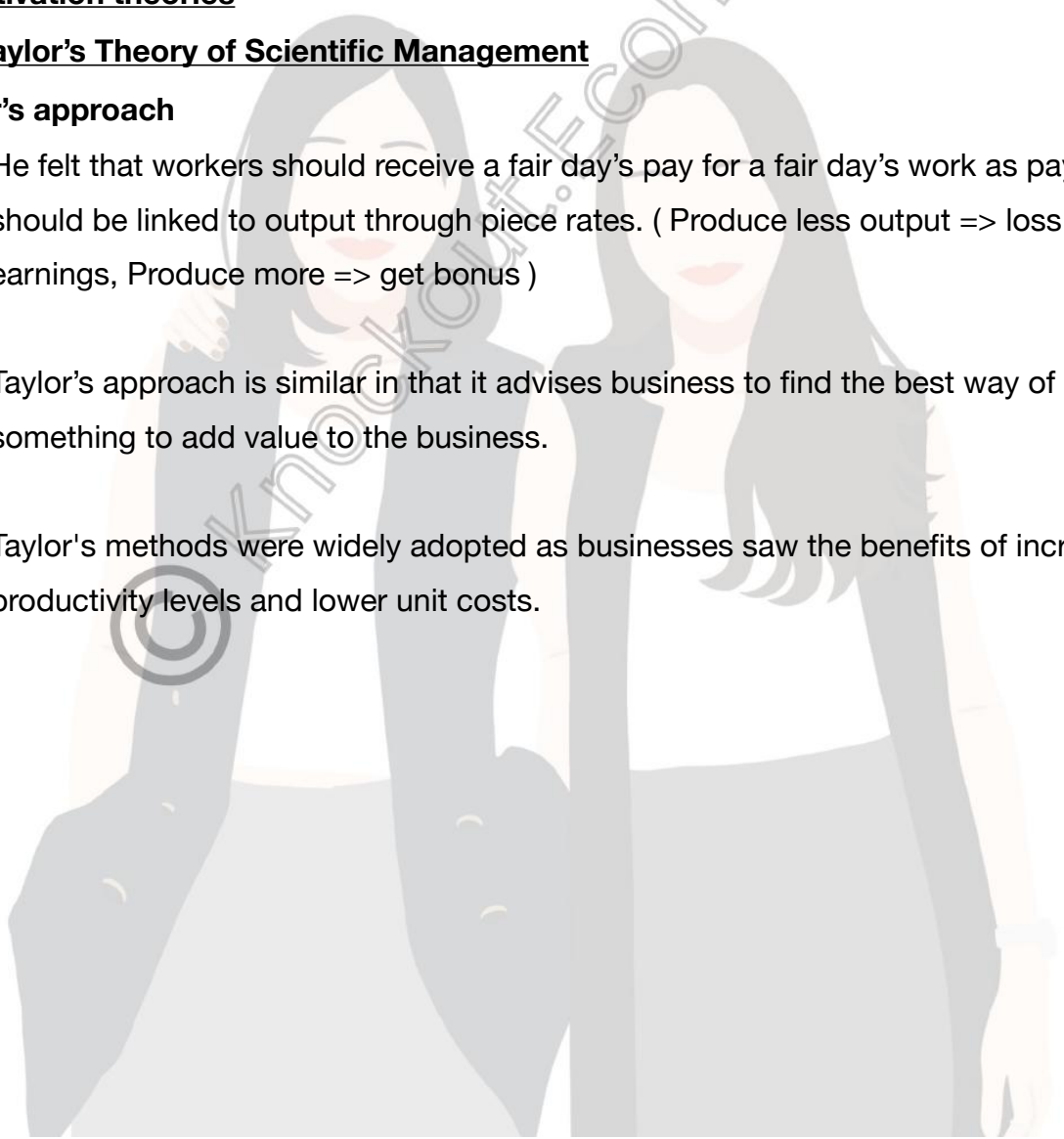
2.1) Taylor's Theory of Scientific Management

Taylor's approach

1. He felt that workers should receive a fair day's pay for a fair day's work as pay should be linked to output through piece rates. (Produce less output => loss of earnings, Produce more => get bonus)

2. Taylor's approach is similar in that it advises business to find the best way of doing something to add value to the business.

3. Taylor's methods were widely adopted as businesses saw the benefits of increased productivity levels and lower unit costs.



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2.2) Mayo's Theory of human relations.

The Hawthorne studies by Elton Mayo :

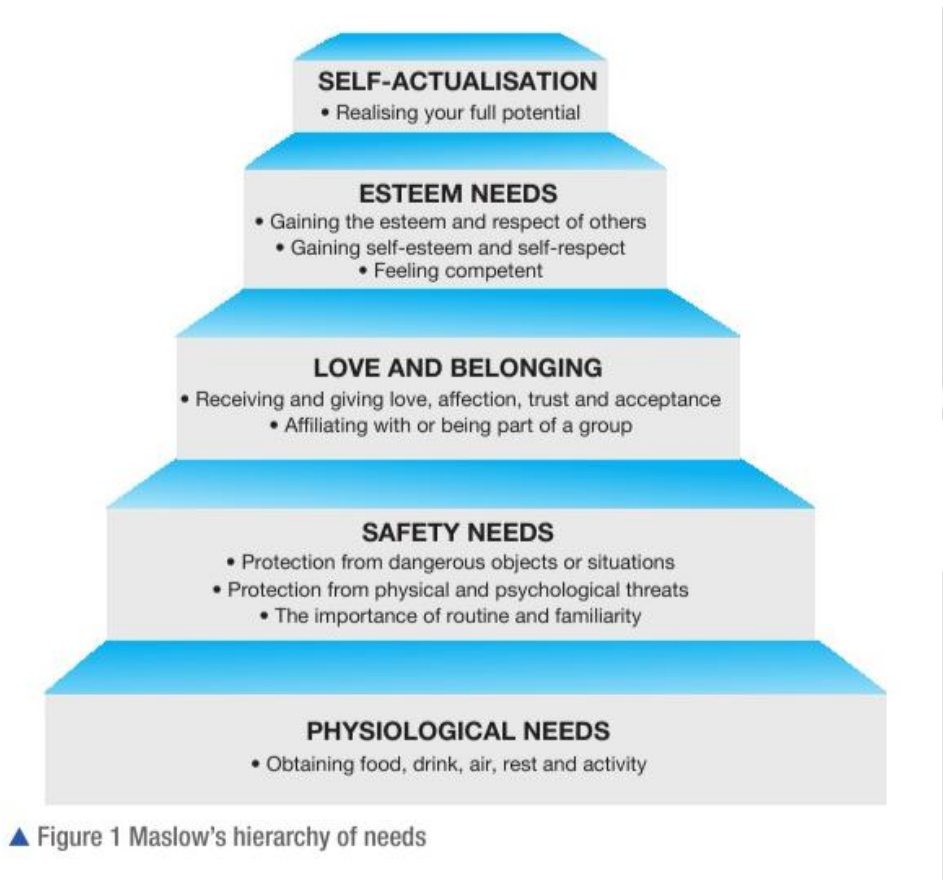
1. The study concluded that changes in conditions and financial rewards had little or no effect on productivity.

2. Increase in output were mainly due to the stronger teams and better communication that workers in groups developed as they interacted and were motivated to work together.

3. Hawthorne effect ; the idea that workers are motivated by recognition given to them as a group.

2.3) Maslow's Hierarchy of needs

Maslow's Hierarchy of needs - the order of people's needs starting with basic human requirement.


SELF-ACTUALISATION
• Realising your full potential
ESTEEM NEEDS
• Gaining the esteem and respect of others
• Gaining self-esteem and self-respect
• Feeling competent
LOVE AND BELONGING
• Receiving and giving love, affection, trust and acceptance
• Affiliating with or being part of a group
SAFETY NEEDS
• Protection from dangerous objects or situations
• Protection from physical and psychological threats
• The importance of routine and familiarity
PHYSIOLOGICAL NEEDS
• Obtaining food, drink, air, rest and activity

▲ Figure 1 Maslow's hierarchy of needs

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1. Maslow argued that needs at the bottom are basic needs, they are concerned with survival. These needs must be satisfied before a person can move to the next level.

2. Once each level is satisfied, the needs at this level become less important. The exception is top level of self-actualization, the need to fulfill your potential.

3. Each level of needs is dependent on the levels below. An employee has been motivated by opportunity to take responsibility but they might lose jobs. The whole system collapse. => need to provide security on jobs first.

2.4) Herzberg's Two-Factor Theory

Fredrick Herzberg divided the causes of satisfaction or dissatisfaction into 2 categories or factors.

1. Motivators

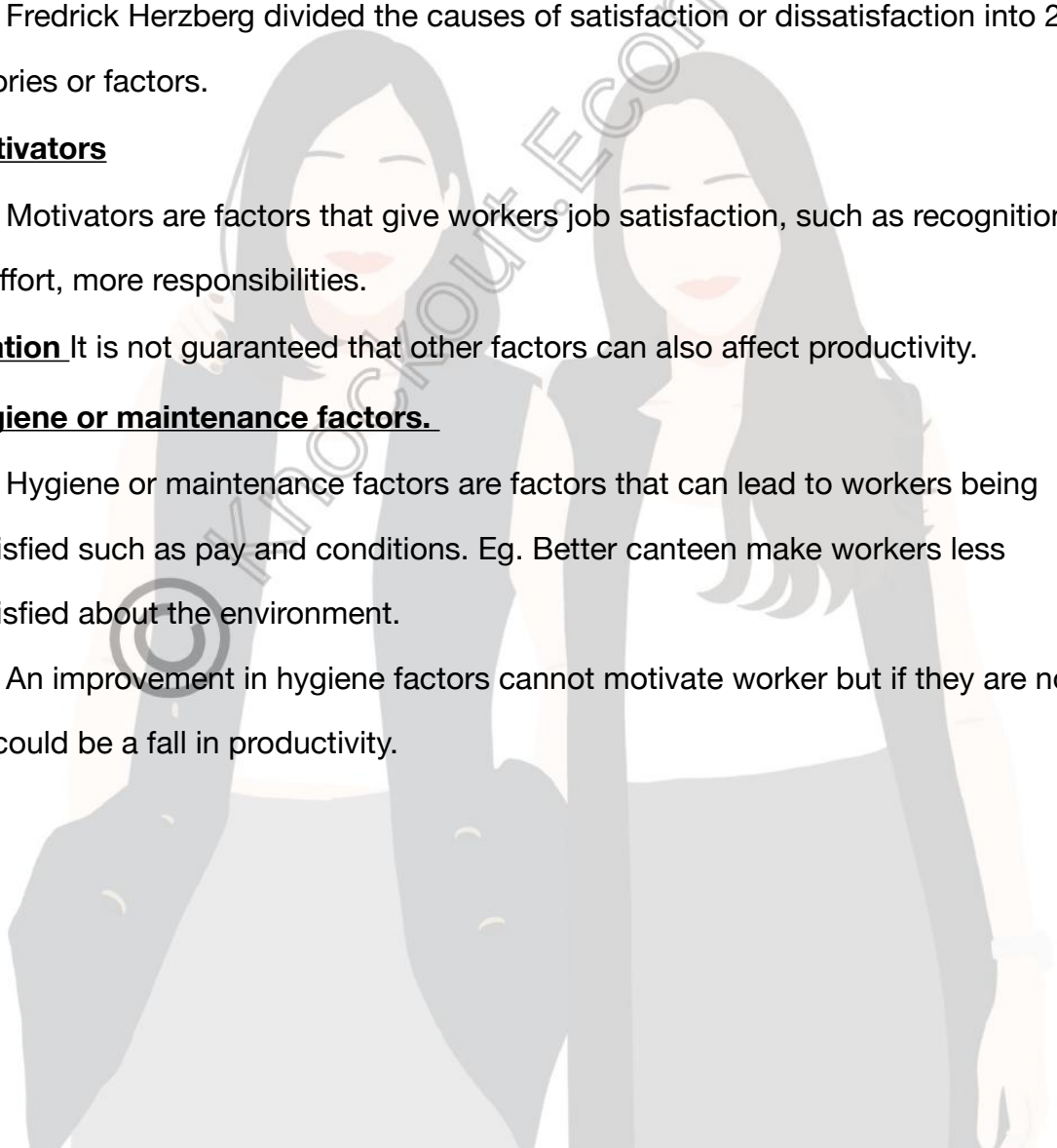
Motivators are factors that give workers job satisfaction, such as recognition for their effort, more responsibilities.

Limitation It is not guaranteed that other factors can also affect productivity.

2. Hygiene or maintenance factors.

Hygiene or maintenance factors are factors that can lead to workers being dissatisfied such as pay and conditions. Eg. Better canteen make workers less dissatisfied about the environment.

An improvement in hygiene factors cannot motivate worker but if they are not met there could be a fall in productivity.



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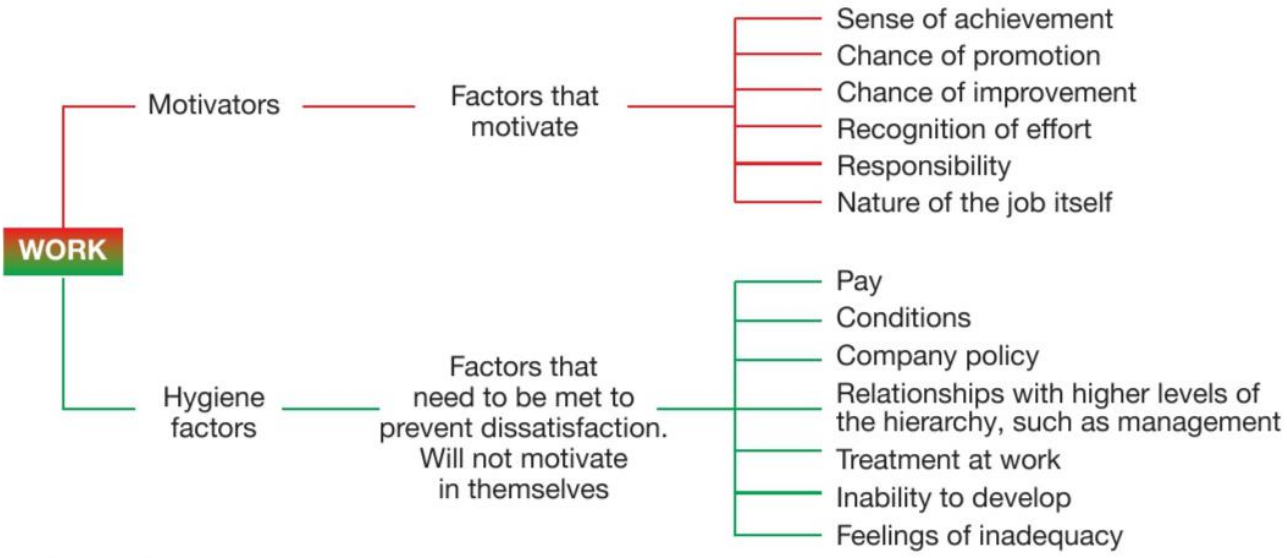

3. Financial methods to improve staff performance

3.1) Piece work

- A payment system where employees are paid an agreed rate for every item produced. It is recommended by Taylor.

Limitation

- Suitable for jobs that is easy to identify the contribution of an individual.
- It is difficult to design a piece rates system.
  It may encourage worker to generate short cut, affecting health and safety.

3.2) Commission

A percentage payment on sale made to the salesperson. It makes incentive to sell.

3.3) Bonus

- A payment adding to the basic wage for reaching targets or in recognition for service.
- It is paid if the targets are met. The money is only paid if it has been earned.

3.4) Profit sharing

- Where workers are given a share of the profits, usually as part of their pay.
- Profit sharing can motivate workers to achieve the objectives of business as in the Maslow the need for love and belonging.

3.5) Performance related pay (PRP) eg. arriving on time, improving skills.

- A payment system designed for non-manual workers where pay increases are given if performance targets are met. It is motivation as physiological needs in Maslow.

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- Level of achievement : rated excellent => 10% bonus, rated good => get 5%bonus

Limitation

• Bonus may be too low to motivate workers.

• Achieve target depends on the smooth running of machines and technology.

• Target may be impossible to achieve.

• It may have unfair if workers have problems with their boss

4. Non financial methods to improve staff performance.

4.1) Delegation

- Passing of authority further down the managerial hierarchy.
- Workers feel that they are being trusted to carry out more difficult work.
- Delegation is most likely to improve motivation if managers;

4.2) Consultation

• Listening to the views of employees before making decision that affect them (working hrs)

4.3) Empowerment

- Giving official authority to employees to make decision and control their own work activities.

Advantages	Limitation
• Employees are motivated & feel trusted. • Employees have less stress as they can control over working. • Decision made by those suited to make it. • Greater employees' skill • More efficiency in the organization • Workers may feel less frustrated by senior staff making decisions.	• Passing decision making down might make manager redundant. • Manager may feel in secure about subordinates making decision. It might affect their position. • Employees are given more work to do but for the same pay. • High cost of training employees.

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4.4) Teamworking

- Organizing people into working groups that have a common aim.

Advantages	Limitation
• Productivity rises from combined talents. • Team can solve difficult business problems. • Ideas can be created from group discussion. • Flexible working	• Workers may hide differences in idea. • Disagreement destroy team effectiveness. • A feeling of powerlessness • Senior management fail to work together. • Unnecessary meeting • Some tasks are better to do by individuals

4.5) Flexible working

- Flexible working may motivate workers such as choosing their own working hours, work form home.

4.6) Job enrichment

- Giving employees greater responsibility and recognition by vertically extending their work role.

Advantages	Limitation
• Giving employees a challenge will develop their unused skilled and encourage them to be more productive. • Making workers feel important to business as the contribute work to the business.	• Workers who are unable to make it may not responds to incentives. • Not all workers react in the same way to job enrichment as motivation. • Trade union may see job enrichment as a way to reduce number of workers and

4.7) Job rotation

- The periodic changing of jobs or tasks. Eg. Moving from HR to marketing.

4.8) Job enlargement

- Giving an employee more work to do of similar nature; horizontally extending their work role.
- Eg. An employee putting wheels onto bicycle he could be allowed to put the entire product together.

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Chapter 18 : Leadership

1. Distinction between management and leadership

No distinction between management and leadership in an organisation. Managers are leader because of the role they play. However, leaders are not necessary the same as manager and they may do some as following

- Leaders can be visionaries - change business to survive and grow
- Leaders tend to be good caring through the process of change. - understand starting point and end point.
- Leaders are excellent at motivating people around them.

2. Characteristic of leaders

2.1) Positive self image, a genuine ability and realistic ambitions.

2.2) Able to get core of problems and have visions and commitment to suggest solution.

2.3) They are experts in a particular fields and well read in every field. - intelligent and excellent communication.

2.4) Ability to sense change and can response to it.

3. Leadership styles

Leadership styles	Advantages	Disdvantages
1. Autocratic leadership Where a manager make all decision without consultation.	• Move troops quickly and for orders to be obeyed instantly.	• Little teamwork. • The need of high level go supervision and poor motivation to employees.
2. Paternalistic leadership Where leader makes decisions but take into account the welfare of employees.	• Similar to autocratic but think about employee's' welfare.	• They do not give subordinates control over decision.

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3. Democratic leadership Where a manager allows others to participate in decision making. - **Persuasive :** Leader already made decision but takes time to persuade others that is good idea. - **Consultative** : leaders consult others about their views before making decision. (whether to launch new products)	• It increases public involvement in social and political. • Increasing income and educational standards as people have greater. Freedom and better quality of working life. • People with knowledge and experience lead to better decision making. • People in decision making are more committed and motivated.	• It takes a long time to make decision.
4. Laissez-faire leadership Employees are encouraged to make their own decisions with certain limits.	• Leaders gives little guidance and allows others freedom to make decision. • It is effective if workers are skilled, experienced, motivated, and capable to work.	It is not effective, If workers • lack of experience to do. • Do not capable to set deadline and managing their own projects. • Lack of motivation. • Deadline may be missed

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4. Difficulties in developing entrepreneur to leader

1.) Adapting the mindset

- Entrepreneurs usually have a desire for control over their life but leader have to relinquish some control and learn to delegate and focus on different things.

2.) Stress

- Running larger business causes greater stressful.

- Some stakeholders have different needs that may cause conflicts. Consumers-worker-owner

3.) Sharing ownership and control

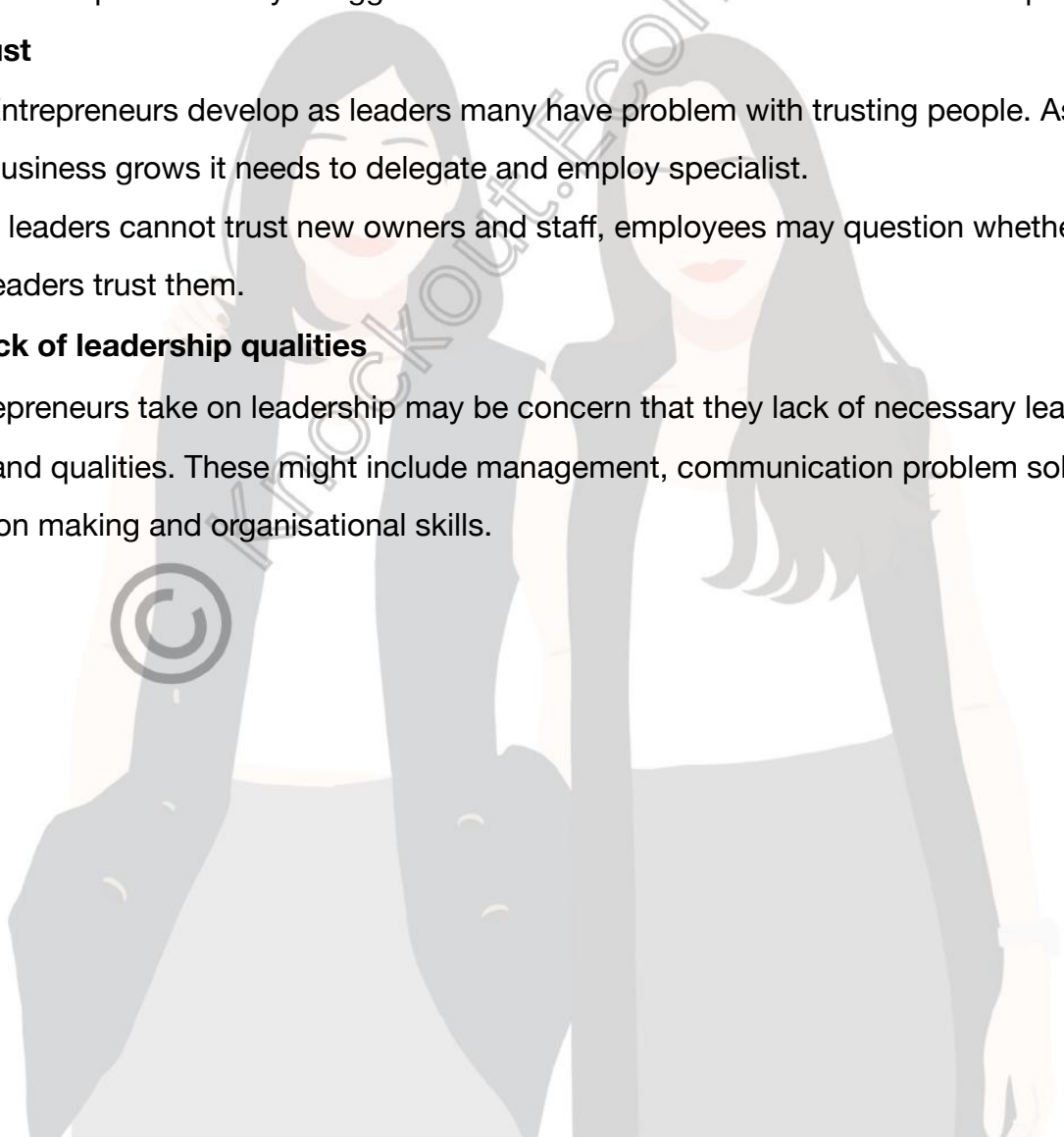
- Some entrepreneurs may struggle with the lass of control when businesses expands

4.) Trust

- Entrepreneurs develop as leaders many have problem with trusting people. As business grows it needs to delegate and employ specialist.
- If leaders cannot trust new owners and staff, employees may question whether the leaders trust them.

5.) Lack of leadership qualities

- Entrepreneurs take on leadership may be concern that they lack of necessary leadership skills and qualities. These might include management, communication problem solving, decision making and organisational skills.



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5. Overcoming difficulties

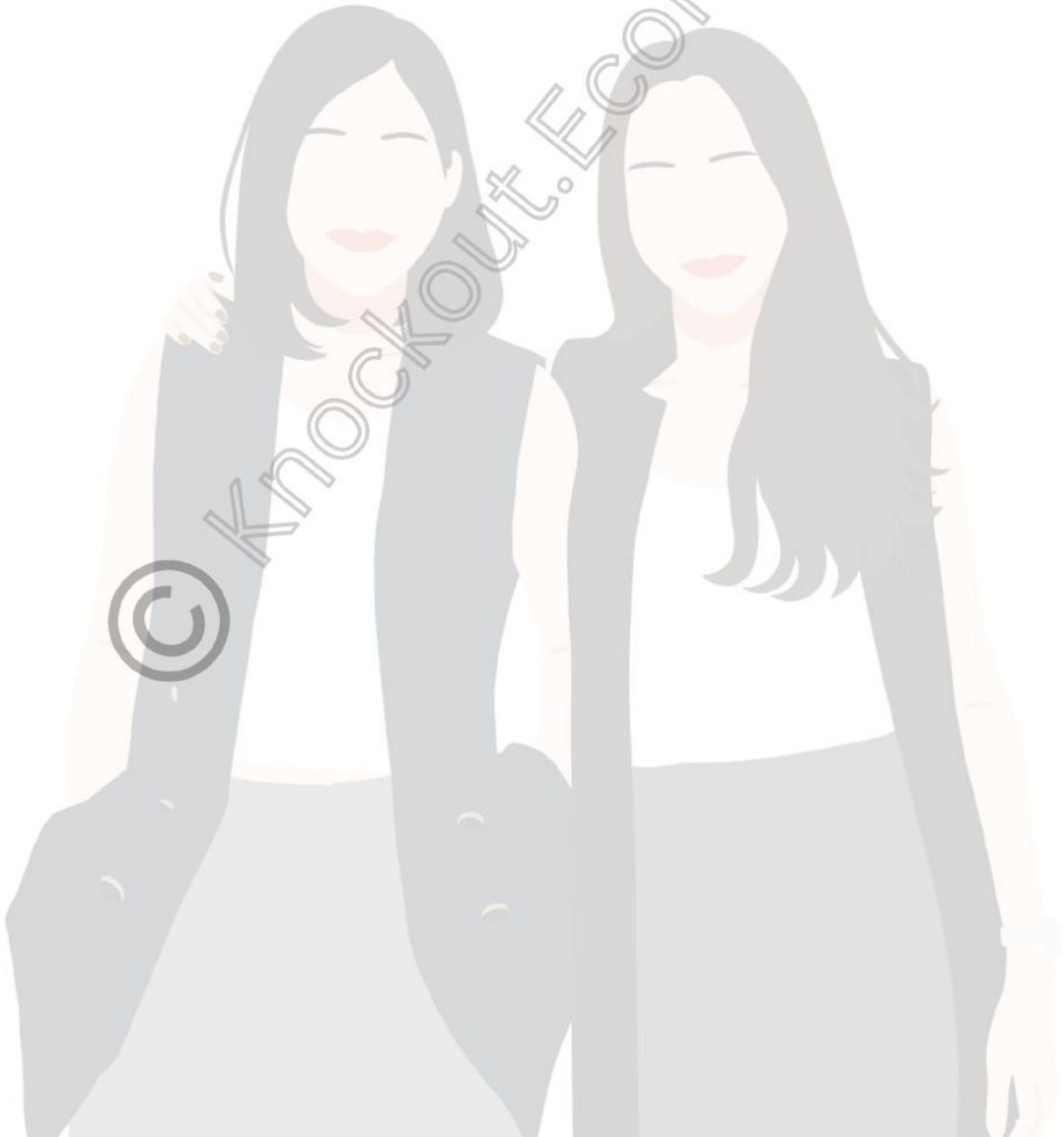
1.) Delegation and trust

2.) Earn respect : Leader can earn respect from all stakeholders if the organisational culture is open, positive and accepted.

3.) Maturity and experience : some people born with leadership, and some of them can learn through maturity, learning from mistakes.

4.) Education : standing specialist courses to improve management, negotiations communication, and decision making skills.

5.) Reducing stress : being calm leader rather than stress leader.



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Chapter 19 : Role of an entrepreneur

1. Creating and setting up a business

Entrepreneurs are people who have a business idea and want to make money working for themselves. They are the owners.

1.1) The roles of entrepreneurs

• Entrepreneurs are innovators because they try to make money from business idea. • Entrepreneurs are responsible for organizing FOP.
• Entrepreneurs are the owners they have make key decision.
• Entrepreneurs are risk takers and gain profit as a reward.

1.2) Risk and rewards for entrepreneurs

• Entrepreneurs face high risk if businesses fail.
• Entrepreneurs have opportunity cost (salary gained from working for a company.)

1.3) Entrepreneurs and business ideas

There are many ways that entrepreneurs can find business idea such as business such as

- business experience : from their existing jobs)
- personal experience : experience outside of work
- skills
- lifestyle choices : some business areas attract people who want to make a lifestyle change eg. Yoga teacher, invest a seaside hotel.

1.4) Stages in setting up a business.

- The future success of a business might depend on the quality of work undertaken during the setting up process. One approach to set up business.
1.) Idea : A business comes up with ideas
2.) Research : Carry out market research and analyze whether the idea is likely to work. 3.) Planning : Doing business plan.CH23
4.) Financing : How much finance they will need and which source?
5.) Location : The location depends on the nature of business eg. restaurant, website.
6.) Resources : resources used to set up business such as furniture, equipment.
7.) Launch : entrepreneurs organize an opening event to launch products and create PR.

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2. Running and expanding/developing a business

After the launch, entrepreneurs become engaged in day-to-day running of the business including production or delivering a service.

As business expands and develops, entrepreneurs need to attend these functional business activities.

1.) Financial management : finding fund to run business, creating cash flow forecast, arranging load and overdraft, making payment, chasing debt, monitor cash move in and out.

2.) Administration : accurate record keeping about cost, revenue, profit, tax liabilities, stock.

3.) Marketing : advertising, sales promotion, market research, developing relationship with customers, retaining market share, launch new products and penetrate new market.

4.) Purchasing : Buying commercial service such as cleaning, accountancy, find lowest cost, explore new supply chain, entrepreneur developing negotiating skills to reduce cost.

5.) Managing people : recruitment, selection, training, motivating.

6.) Production : entrepreneur needs to consider safety, production levels to match orders.

3. Intrapreneurship

- Intrapreneurs are employees in large business who use entrepreneurial skills to find and develop initiatives that will have financial benefits to company such as new product or service or systems.
- Intrapreneurs carry no financial risk. (different from entrepreneur)
- Such company believe that entrepreneurial spirit helps a company to grow and evolve.

  The advantages of employing intrapreneurially staff.

  1.) Intrapreneurs can drive innovation in business and create new commercial opportunities to increase profit of company.

  2.) It is a means of satisfying self-actualization needs of employees.(reaching full potential)

  3.) A number of awards can be won by businesses if they develop unique products.

  4.) Individuals benefits by getting experience and be creative without having to meet cost of failure. It also improves skills.

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4. Barriers to entrepreneurship

Barriers discourage many people who aspire to be entrepreneurs.

1.) Lack of finance

2.) Lack of entrepreneurial capacity : necessary entrepreneurial skills and characters.

3.) Becoming an employer : Employing a person have many responsibility to employees(paying wage, sick payment, training, safety) which discourages employment and development.

4.) Legal barriers(red tape) : it discourages to start up business eg. Legislation relating to employment, environment, consumer, tax.

5.) Lack of ideas :

6.) Fear of failure :

7.) Aversion to risk : Risk taking is not their personality.

8.) corrupt and unsupportive environment : political instability, property law, bribery.

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Chapter 20 : Entrepreneurial motives and characteristic

1. Characteristics of entrepreneurs

- **Self- Confidence** : They will believe that they are going to succeed. They can also persuade others to buy our products or invest in the business.
- **Self- determination** : Successful entrepreneurs are ones who think they can control of events going around them.
- **Being a self-starter** : Entrepreneurs are able to work independently and can take decision. They will have own ideas about how things should be done and they are able to develop those ideas.
- **Judgement** : Entrepreneurs is someone who gathers information and listens to advice. This helps them to make judgments and decisions
- **Commitment** : Entrepreneur work longer hours than with normal jobs.
- **Perseverance** : They have to be able to get through the bad times and the setbacks.
- **Initiative :** They do not allow events to overwhelm them by doing nothing. They are able to change and be proactive.

2. Skills required by entrepreneurs

2.1 Organising : Entrepreneurs play an important organisational role. They have to project manage the setting up and running of their business ventures. This involves organizing resources in order to get the business up and running. Entrepureneurs need to planning, scheduling, giving instruction, prioritites and setting up systems.

2.2 Financial Management : make sure that the business has enough money whenever it is needed. This might involve budgeting, cash flow, forecasting, chasing debts and etc.

2.3 Communication : Entrepreneurs will need to interact with a wide range of different stakeholders. This might include customers, employees, suppliers and the local authorities.

2.4 Managing people: Individuals are all different and may require different approaches to motivation. Entrepreneurs need to recruit the " right people" in the first place and then show clear relationship and direction.

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2.5 Decision making

2.6 Negotiating : eg. Agreement in term of contract with third parties eg. suppliers etc

2.7 IT skills: Entrepreneurs will be able to run their business more efficiency if they have good IT skills

- Set up filing systems to store and manage business document and other information
- Communicate with stakeholders
- Use spreadsheet to prepare budgets and cashflow
- Set up business website, provide a system for online purchases
- Use social media to help raise the profile of the business and direct potential customers to the business website
- Use computer software to give presentation
- Use specialist software, for designing products, for example

3. Reasons why people set up businesses

3.1 Financial Motives : Many people set up a business because they want to make money. They often think that they could earn far more if they worked for themselves. Two approaches to making prodit can be identified :

- **Profit maximisation** : Some entrepreneurs try to makes as much profiit as possible in a given time period. These entrepreneur motivated by money and their key focus is the financial return on their efforts.
- **Profit Satisficing:** Some entrepreneurs might take a different approach to profit. They may aim to make just enough profit to maintain their interest in the business. Since they dont want extra works. This allow owners have lifestyle / leisure time with family.

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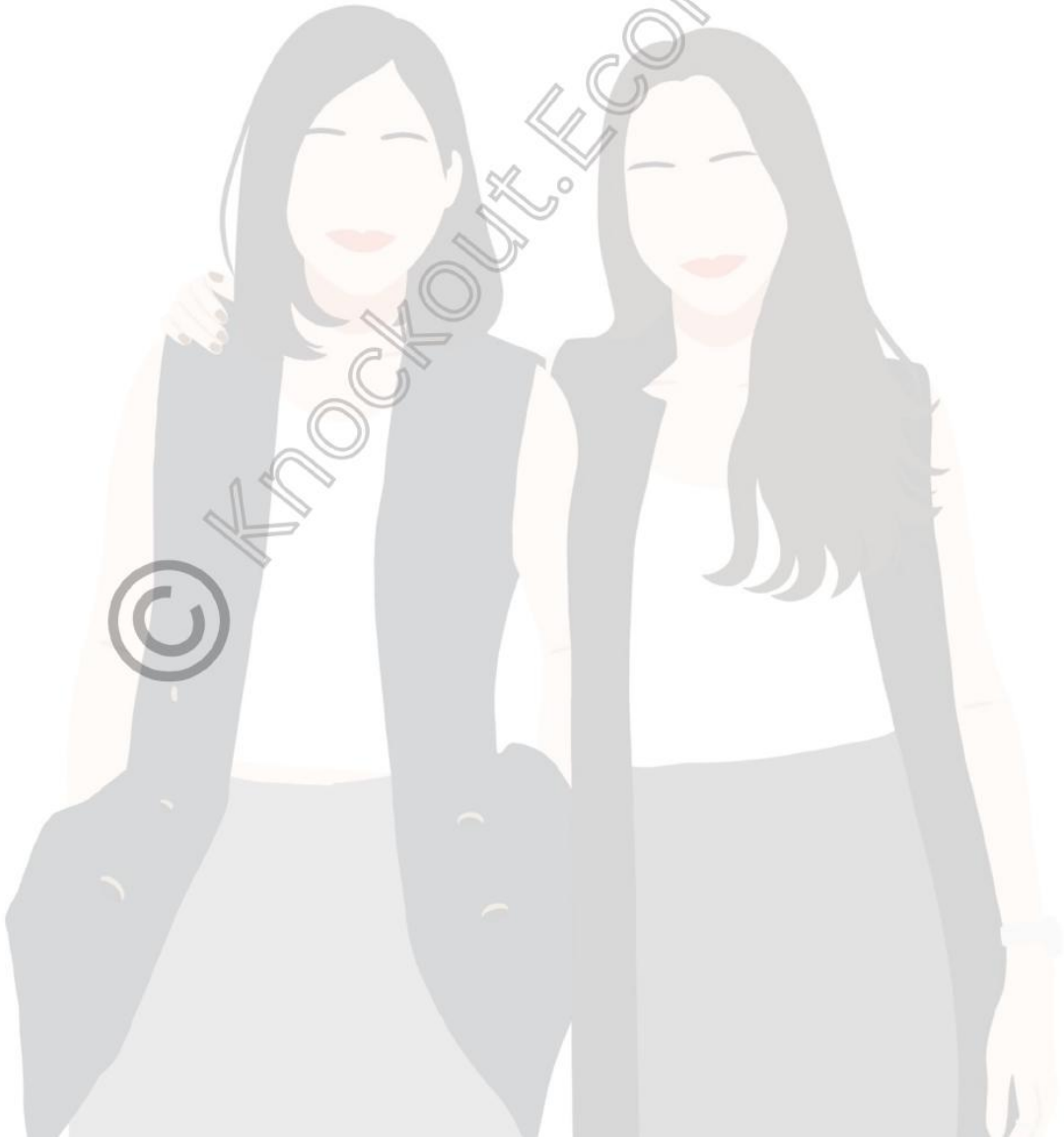
3.2 Non-financial motives:

- **Ethical Stance** : A minority of people set up a business in support of a moral belief they possess.

- **Social Enterprise :** There are organising that trade with the aim of improving human
and environment well-being. They are sometimes referred as non-profit organisation.

- **Independence**: A lot of people want to be “own boss” Since want to be independent.

- **Home working** : There are two keys benefits for home workers . Save time and expense in travelling to and from work. They also enjoy more flexibility.



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Chapter 21 : Business Objectives

1. Business Objectives

: The goal or targets that need to be met in order to achieve an aims. Businesses need to have objectives for the following reasons

- Employees need something to work towards. Objectives help to motivate people. For example, sales staff might get bonuses if they reach certain sales target.
- Without objectives owners might not have the motivation needed to keep the business going.
- Objectives help owners decide where to take a business and what steps are necessary to get there and what steps are necessary to get there.

  : It is easier to assesses the performance of a business if the objectives set are **SMART.** This means that they should be
  - Specific : stating clearly what is trying to be achieved.
  - Measurable : can be measured quantitatively
  - Agreed : have the approval of everyone involved
  - Realistic : able to be achieved given the resources available
  - Time Specific : have a stated time by which they should be achieved

2. Survival

: eg. When the business first starts trading it may be particularly at risk. It often takes time for people to recognize the existence of a new business.

: eg. Global economy when turned down, demand in the market decreased. Therefore, business may hope to survive first.

3. Profit Maximization

: Some business focus on profit more aggressively, usually because the owners want to make as much profit as they possible. Higher profit means higher budget for reinvestment and high returns.

To achieve Profit maximization

- Reduce cost (eg. Wage / raw material)
- Increase in selling price (from improve quality of goods etc)

  One criticism:
- Maximise profit : too short objective

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- Profit maximise can also damage relationships with other stakeholders, such as employees and customers

4. Other objectives

4.1 Sales Maximisation

: It involves a business selling as much as it possible can in a particular period of time. Sales levels are important measure of performance and generally growing sales in a healthy signs for business.

: Also sales maximization can also increase market shares and also reduce inventory

4.2 Market Share

: Most business would prefer a large market share to a small one. Larger market share can increase sale revenue and profit.

4.3 Cost efficiency

: From time to time businesses may consider how to reduce their costs. It is an objective that might be pursued when trading conditions become difficult due to competition or economic downturn. However, business look to cut costs all time since if lower cost , can encourage higher margin.

The method to cut cost

: Lay off staff to cut labour costs

: Find new supplier to get cheaper resources

: Increase the usage of recycle material

: Develop new working practices that use fewer resources

: Develop ways of saving energy

Evaluation : Drawback of cutting cost is that product quality drop or customer might suffer

4.4 Employee welfare : a number of measures can be taken to achieve this, including : Improving the working environment by cleaning, less noisy and less crowed

4.5 Customer satisfaction: Most business try to meet the customer needs. In order to win their loyalty

4.6 Social Objectives: A business promote prosperity and develop strong relationship with the local community so it can co-existing. This might involves

: Keep noise level down

: Maintaining sensible opening hours

: Demonstrating responsibility to the environment by minimising pollution

: Providing employment for local people

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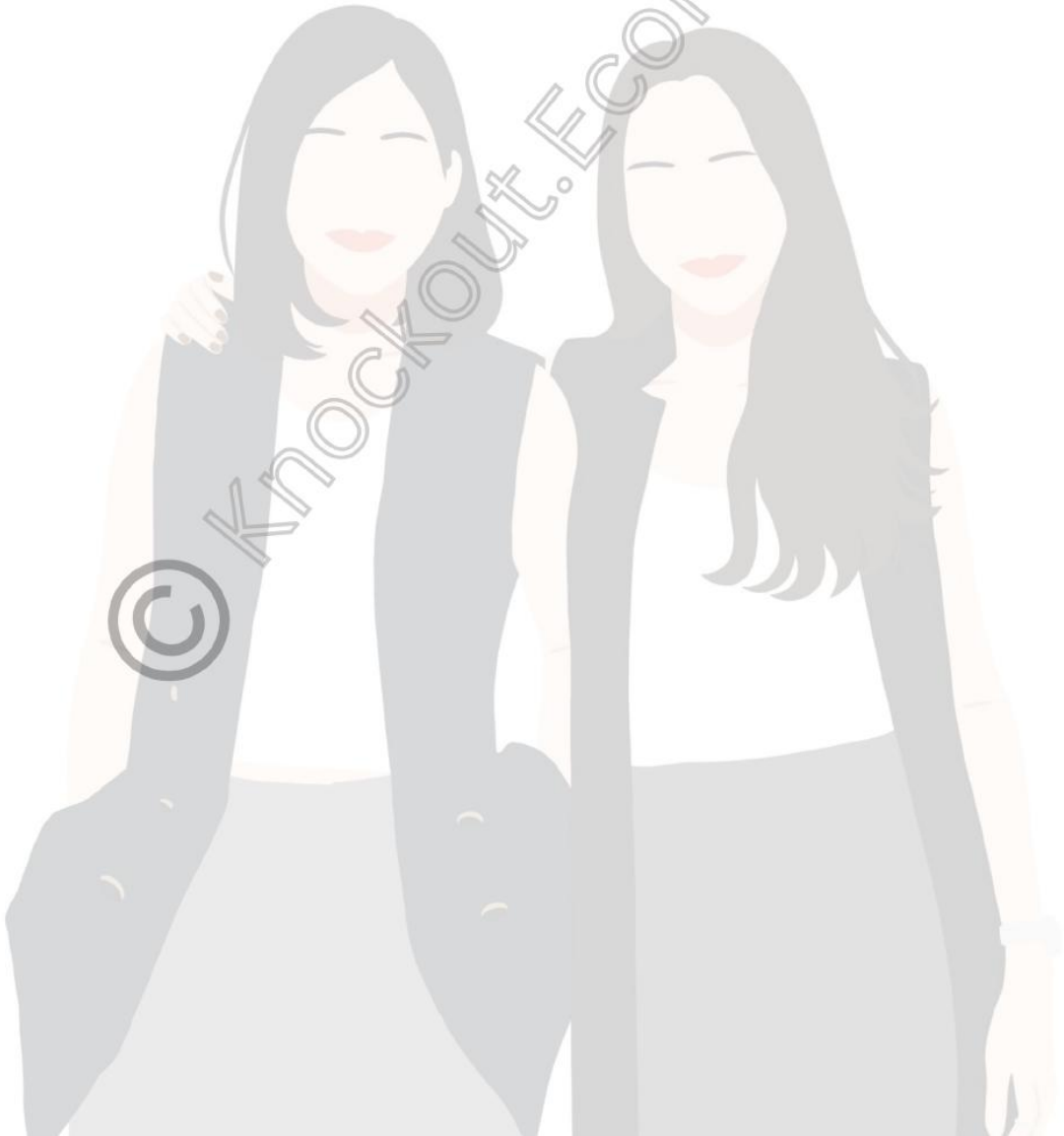
: Maintaining open channels of communicate between business and the local community so that issues can be raised and discussed

: Making contributions to community life such as visiting local schools, sponsoring local events or donation



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Chapter 22 : Business Choices

1. Opportunity Cost

Choices from different ways that resources can be used; for example

- Individuals have to choose how to spend their limited budgets.

- Business choose between spending money on advertising or training. - Government decides to spend money on military or education.

When choice is made it has opportunity cost which is the benefit loses from the next best alternative foregone.

2. Non-monetary opportunity cost

- Opportunity cost is difficult to quantify
- Opportunity cost can sometimes be personal :

3. Business choices and trade-offs

- One important trade off is between risk and reward : taking higher risk get higher rewards
- One important decision for entrepreneur is whether to set up a business in the first place.

The benefit of running business may include :

- Independence as owners are in complete control and free to make decision.
- Flexibility : owners can choose a life balance.
- Chance to get more money
- Job satisfaction from sense of achievement
- Chance to become rich

HOWEVER, there is **trade off**

- Losing regular salary from employment.
- Employment may offer holiday pay, sick leave.

Running a business is very challenging :

- Owners of small business have to do everything - A lack of free time
- Owners need a variety of skills and responsibility - It has unlimited liability for sole trader

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